



CITY OF LODI COUNCIL COMMUNICATION

AGENDA TITLE: Adopt Urgency Ordinance No. 1765 Amending Lodi Municipal Code Title 13 – Public Services – Chapter 13.20, “Electrical Service,” by Repealing and Reenacting Sections 13.20.175 (D)-(1), (5) and (6) Relating to Market Cost Adjustment Billing Factor; and further Repealing Section 13.20.185 in its Entirety Relating to Preexisting Electric Rates; and Adopt Resolution Implementing Market Cost Adjustment (MCA); and

Introduce Ordinance No. 1766 Amending Lodi Municipal Code Title 13 – Public Services – Chapter 13.20, “Electrical Service,” by Repealing and Reenacting Sections 13.20.175 (D)-(1), (5) and (6) Relating to Market Cost Adjustment Billing Factor; and further Repealing Section 13.20.185 in its Entirety Relating to Preexisting Electric Rates

MEETING DATE: October 19, 2005

PREPARED BY: Interim Electric Utility Director

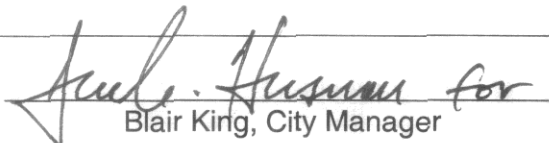
RECOMMENDED ACTION: Following reading by title, adopt Urgency Ordinance No. 1765 Amending Lodi Municipal Code Title 13 – Public Services – Chapter 13.20, “Electrical Service,” by Repealing and Reenacting Sections 13.20.175 (D)-(1), (5) and (6) Relating to Market Cost Adjustment Billing Factor; and further Repealing Section 13.20.185 in its Entirety Relating to Preexisting Electric Rates; and Adopt Resolution Implementing Market Cost Adjustment (MCA);

and

Introduce Ordinance 1766 Amending Lodi Municipal Code Title 13 – Public Services – Chapter 13.20, “Electrical Service,” by Repealing and Reenacting Sections 13.20.175 (D)-(1), (5) and (6) Relating to Market Cost Adjustment Billing Factor; and further Repealing Section 13.20.185 in its Entirety Relating to Preexisting Electric Rates.

BACKGROUND INFORMATION: During the last quarter of the year 2000 and the first two quarters of the year 2001, market prices for electricity were extremely volatile, reaching levels that were extremely high relative to historical standards. As a consequence of this volatility and rapidly increasing prices, the City of Lodi adopted a mechanism, called the Market Cost Adjustment (MCA), which upon approval by the City Council, allowed the Electric Utility to quickly adjust its rates to its customers to respond to dynamically changing market conditions. The broad parameters of the MCA were presented to the City Council in April of 2001 (see Attachment 1, Council Communication dated April 18, 2001), with the specific requirements for

APPROVED:


Blair King, City Manager

implementing and maintaining the MCA being ultimately adopted by Ordinance on May 2, 2001 for implementation on June 1, 2001. Changes to the initial MCA rates have subsequently been adopted on July 18, 2001, and November 6, 2002, but the specific requirements for implementing and maintaining the MCA have remained unchanged since their initial adoption.

Issue:

The purpose of the MCA is to provide the Electric Utility a means to respond to substantial changes in power supply costs when there has been a significant change in costs relative to costs included in base rates. The MCA is intended to allow the Electric Utility to adjust rates both up and down depending on the direction of the substantial change in costs.

Power supply costs for FY06 have increased significantly relative to the costs included in base rates, triggering the need to implement a Market Cost Adjustment. Specifically, power supply costs have increased by 29% above power supply costs in the last fiscal year (FY05) and by 38.6% since the last time the MCA was amended (FY03). The table below shows the change in power supply costs since FY03, the last operating year in which the MCA was updated.

Table 1. Comparison of Changes in Power Supply Costs

	FY03	FY04	FY05	FY06 As Budgeted	FY06 As Forecast
Power Supply Cost (\$ Millions)	\$30.8	\$32.3	\$33.1	\$39.8	\$42.7
% Change from Prior Year	n/a	4.9%	2.5%	20.2%	29.0%
% Change from last MCA	n/a	4.9%	7.5%	29.2%	38.6%

The need to immediately adopt an MCA is made more urgent due to the fact that operating income for the utility has been negative since FY03. During this time frame, the utility has been drawing upon fund balances (Rate Stabilization Fund and Electric Utility Operating Fund) to make up the differences between revenues and expenses. These fund balances have been augmented with non-recurring additions of cash from activities such as the proceeds from the sale of securities and interest on investments that will be reduced by \$5 million to \$6 million per year over the levels seen in FY03 and FY04. These types of cash additions will not be sustained in future years. Absent an MCA to arrest the deficit operating condition, Lodi Electric will completely exhaust all remaining fund balances, leaving the utility in a deficit fund balance position at the end of the fiscal year. Table 2 below, summarizes revenue and expense levels since FY03, changes to fund balances, and the change to this year's fund balance if the recommended MCA level is adopted.

Table 2. Comparison of changes in operating income and fund balances

	FY03	FY04	FY05	FY06 As Budgeted	FY06 Projected w/o MCA	FY06 Projected w/ MCA
Revenues	\$55.8	\$56.3	\$53.8	\$56.7	\$56.7	\$62.7
Expenses	\$55.99	\$58.1	\$59.2	\$65.0	\$65.9	\$65.9
Operating Income	(\$0.19)	(\$1.8)	(\$5.4)	(\$8.3)	(\$9.2)	(\$3.2)
Fund Balance	\$0.77	\$6.3	\$7.5	(\$2.2)	(\$1.7)	\$4.3

As can be seen in Table 2, expenses exceed revenues by approximately \$9.2 million under the column "FY06 Projected w/o MCA". Similarly, in Table 1, it can be seen that power supply costs have increased by approximately \$9.6 million over the last fiscal year and by approximately \$11.9 million since the last MCA. While the increase in power supply costs would justify an overall increase of \$11.9 through the MCA, staff is recommending that the annual increase achieved through the MCA be set at \$10.5 million. Because the annualized MCA would not be implemented until November 1, 2005, total MCA collections for the year would be reduced to approximately \$5.8 million, reflecting the fact that the months of July through October would not factor into the annual collection process. Setting the MCA at this level will bring revenues and expenses into balance on an annualized basis for FY06, but because the adjusted MCA will only be in effect for a portion of the year, the electric department will have to further deplete its reserve funds by an estimated \$3.4 million to help make up for the uncollected difference between revenues and expenses. Setting the MCA at this level will keep all customer rates equal to or less than PG&E, once PG&E's "2006 True Up" rate increase is adopted. Attachment 2 compares and contrasts average rates for Lodi Electric with the average rate for a PG&E customer in Stockton, subject to the 7% electric users tax.

Attachment 3 shows the recommended MCA's by each customer class as well as the average rate increase that would result to the class as a whole by virtue of implementing the MCA. Depending on levels of electricity consumption, some customers would see increases higher than the average customer and some others would see increases less than the average (or decreases). This is particularly so in the residential class where the increases will be the greatest on those consuming the most energy, while those consuming lower amounts of energy will see little or no increase with some receiving decreases.

Next Steps:

The next step in addressing the financial structure for the Electric Utility will be to perform a comprehensive rate analysis that results in a base rate structure and set of rules for each rate class that is appropriate to the cost structure for the utility. In particular, the base rates should be sufficient to cover the routine and ongoing costs of the utility with the MCA utilized to adjust for sudden extreme changes in costs. Staff expects to make recommendations in this regard at the Council's November 16, 2005, meeting.

Current and Future MCA to be Implemented by Resolution:

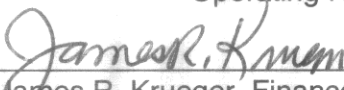
Electric utility charges may be imposed by Resolution or Ordinance under California law. This amendment will clarify that all future MCA's shall be set in amounts and at times established by Resolution of the City Council. Staff recommends this change because MCA's are designed to react to the unexpected and immediate volatility of the utility market.

Urgency Ordinance Requirements:

Government Code §36934 requires that the City Council find by 4/5's vote that the public peace, health or safety mandate that the Ordinance be passed on an urgency basis. In this case staff recommends that the Ordinance be passed on an urgency basis because continued sale of electricity below cost threatens the ability of the Utility to continue to provide electricity which is necessary for the health and safety of the citizens of Lodi.

FISCAL IMPACT: The fiscal impact of this action will be to reduce the imbalance between revenues and expenses as described in the body of the staff report.

FUNDING: Increased sales revenue associated with this action will flow to the Electric Utility "Electric Operating Revenue" account.


James R. Krueger, Finance Director


David Dockham
Interim Electric Utility Director

DD/1st
Attachments
cc: City Attorney
Finance Director



CITY OF LODI

COUNCIL COMMUNICATION

AGENDA TITLE: Public Hearing to introduce ordinance for the implementation of an Electric Market Cost Adjustment Policy and Mechanism

MEETING DATE: April 18, 2001

PREPARED BY: Electric Utility Director

RECOMMENDED ACTION: That the City Council approve introduction of ordinance amending Lodi Municipal Code Chapter 13.20 Electrical Service, Article III Rates, by adding section 13.20.175 Schedule Market Cost Adjustment effective on applicable utility billings prepared by City of Lodi on or after June 1, 2001.

BACKGROUND INFORMATION: The City of Lodi's historical power purchase strategy has been to be in a partial deficit energy position in the winter season. This strategic position has been very successful because the price for power on the spot and short-term market was generally very low during this period. The gas and electric energy market has seen dramatic volatility in recent months and has caused the City of Lodi to take various mitigation strategies. The nature of the market situation has caused the cost of purchased energy to be significantly higher than originally budgeted, although without the mitigation strategies would have been much more severe. It is anticipated that the market will improve, but should remain volatile for at least two more years.

The Market Cost Adjustment will allow the Electric Utility Department to better follow the market and to capture both recent under-collections and future costs. This mechanism would be adjusted on a quarterly basis and would utilize an approved formula. The formula will reflect a true up of prior costs and a rolling twelve-month projection of purchased power costs. The mechanism is designed to minimize spikes to the adjustment rates. It is anticipated that the adjustment may go up or down depending on the various short and long-range strategies the City of Lodi elects to employ and the state of the power market at the that time.

FUNDING: Not Applicable

A handwritten signature in cursive script, reading "Alan N. Vallow".

Alan N. Vallow
Electric Utility Director

ANV/lst

C: City Attorney

APPROVED: _____

A handwritten signature in cursive script, reading "H. Dixon Flynn".
H. Dixon Flynn - City Manager



CITY OF LODI

ELECTRIC UTILITY DEPARTMENT

SCHEDULE MCA

MARKET COST ADJUSTMENT

APPLICABILITY:

When in effect, this schedule is applicable to all areas served by the City and to all kilowatt-hours billed under all rate schedules as defined under the special conditions of the rate schedules labeled Purchased Power Adjustment.

PURPOSE:

Generally, power supply costs will be recovered through application of the base rates. In the event that substantial changes in projected power supply costs occur, either increases or decreases, the Market Cost Adjustment Billing Factor will be activated to provide for increases or decreases in the City's charges for electric service. The Electric Utility Director shall develop and recommend a MCA Billing Factor to be effective on a specified date for the approval of the City Council.

APPLICATION OF MARKET COST ADJUSTMENT:

When applicable, the Market Cost Adjustment Billing Factor (MCABF) for a particular rate schedule as designated in the attached MCABF table, in cents per kWh, shall be applied to kilowatt-hours sold on and after the effective date, and continuing thereafter until the next base rate change or until a revision to the Market Cost Adjustment Billing Factor becomes effective. The dollar amount to be added to or subtracted from each bill due to the Market Cost Adjustment shall be obtained by multiplying the number of kilowatt-hours for which the bill is rendered by the applicable Market Cost Adjustment Billing Factor.

CALCULATION OF THE POWER COST ADJUSTMENT BILLING FACTOR:

1. When the Electric Utility Director deems that substantial changes in power supply costs have occurred relative to the costs included in base rates, the Market Cost Adjustment Billing Factor shall be activated following the approval of the City Council.
2. The Billing Factor shall remain in effect until the next base rate change or until a revision to the Billing Factor is necessary.
3. While the Billing Factor is activated, a Market Cost Adjustment account shall be maintained. Entries into this account shall be:
 - a. The balance from the previous month;
 - b. The increase or decrease in charges for electric service billed using the applicable Billing Factor; and
 - c. Any interest accruing to the account.

SCHEDULE MCA

MARKET COST ADJUSTMENT

4. The MCA Billing Factor shall be designed by giving consideration to the following factors:
 - a. Rate stability is desirable and frequent changes in the MCA Billing Factor are undesirable.
 - b. The financial integrity of the Electric Utility Department shall be maintained by applying a MCA Billing Factor, when necessary, to ensure that the Electric Utility Department does not overcollect or undercollect the revenue required for sound financial operation.
5. The Electric Utility Department shall furnish to the City Council a notice of any proposed activation or change in the MCA Billing Factor. Any activation or change in the MCA Billing Factor requires approval by the City Council.
6. The Electric Utility Department generally shall make the MCA Billing Factors effective as of the first day of the appropriate month. Adjustments to the MCA shall be no more frequent than quarterly and no less than semi-annually.

MARKET COST ADJUSTMENT BILLING FACTOR		
The Market Cost Adjustment Billing Factor by designated rate schedule, in cents per kilowatt-hour, shall be shown in this Section. Certain classes may have a tiered MCABF by level of monthly consumption.		
Class	Cents per kWh	Date Effective
EA, EE under 300 kWh	1.250	June 1, 2001
EA, EE 301 to 600 kWh	1.900	June 1, 2001
EA, EE above 600 kWh	3.000	June 1, 2001
ED, EF	0.000	June 1, 2001
EM	0.000	June 1, 2001
EL	0.000	June 1, 2001
G1	2.000	June 1, 2001
G2	2.000	June 1, 2001
G3	0.000	June 1, 2001
G4	0.000	June 1, 2001
G5	0.000	June 1, 2001
I1	0.000	June 1, 2001

Attachment 2

	Current Lodi Avg Rate	Current PG&E Rate	Lodi Rate w/ Proposed MCA	PG&E w/ True Up and 6% Elec Users Tax
EA	\$0.1465	\$0.1363	\$0.1600	\$0.1600
EE	\$0.1297	\$0.1363	\$0.1462	\$0.1530
ED Share	\$0.0842	n/a	\$0.0927	\$0.0930
G1	\$0.1545	\$0.1545	\$0.1659	\$0.1660
G2	\$0.1287	\$0.1366	\$0.1496	\$0.1500
G3 Small	\$0.1172	\$0.1311	\$0.1428	\$0.1440
G4 Medium Industrial	\$0.1074	\$0.1124	\$0.1232	\$0.1230
G5	\$0.0991	\$0.1040	\$0.1141	\$0.1140
I1	\$0.0642	\$0.1040	\$0.1141	\$0.1140
Contract Medium	\$0.0852	\$0.1124	\$0.1167	\$0.1230
Contract Large	\$0.0621	\$0.1040	\$0.0934	\$0.1080
EM Domestic	\$0.0792	\$0.1268	\$0.1491	\$0.1490
City ES	\$0.0944	n/a	\$0.1038	n/a

Attachment 3

MARKET COST ADJUSTMENT BILLING FACTOR																																									
The Market Cost Adjustment Billing Factor by designated rate schedule, in dollars per kilowatt-hour, shall be shown in the Section. Certain classes may have a tiered MCABF by level of monthly consumption.																																									
Winter Residential MCA				Summer Residential MCA																																					
EA				EA																																					
Tier	kWh	\$ per kWh		Tier	kWh	\$ per kWh																																			
1	0-390	\$ 0.0173		1	0-440	\$ 0.0206																																			
2	391-507	\$ 0.0100		2	441-637	\$ -																																			
3	508-780	\$ 0.0865		3	638-980	\$ 0.0847																																			
4	781-1,170	\$ 0.1651		4	981-1,469	\$ 0.1635																																			
5	above 1,170	\$ 0.1909		5	above 1,469	\$ 0.1928																																			
EE				EE																																					
Tier	kWh	\$ per kWh		Tier	kWh	\$ per kWh																																			
1	0-952	\$ 0.0213		1	0-585	\$ 0.0213																																			
2	953-1,000	\$ 0.0378		2	586-773	\$ -																																			
3	1,001-1,237	\$ -		3	774-1,190	\$ 0.0865																																			
4	1,238-1,903	\$ 0.0885		4	1,191-1,784	\$ 0.1668																																			
5	above 1,903	\$ 0.1635		5	above 1,784	\$ 0.1928																																			
ED				ED																																					
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4	781-1,170	\$ 0.1255	4	981-1,469	\$ 0.1242																																				
5	above 1,170	\$ 0.1451	5	above 1,469	\$ 0.1465																																				
EF			EF																																						
Tier	kWh	\$ per kWh	Tier	kWh	\$ per kWh																																				
1	0-952	\$ 0.0162	1	0-585	\$ 0.0162																																				
2	953-1,000	\$ 0.0287	2	586-773	\$ -																																				
3	1,001-1,237	\$ -	3	774-1,190	\$ 0.0657																																				
4	1,238-1,903	\$ 0.0673	4	1,191-1,784	\$ 0.1268																																				
5	above 1,903	\$ 0.1242	5	above 1,784	\$ 0.1465																																				
<table><tr><th colspan="3">Commercial/Industrial MCA-Winter/Summer</th></tr><tr><th>Class</th><th>Type</th><th>\$ per kWh</th></tr><tr><td>ES</td><td>All</td><td>\$0.0094</td></tr><tr><td>EM</td><td>All</td><td>\$0.0698</td></tr><tr><td>EL</td><td>All</td><td>\$0.0100</td></tr><tr><td>G1</td><td>All</td><td>\$0.0409</td></tr><tr><td>G2</td><td>All</td><td>\$0.0483</td></tr><tr><td>G3</td><td>All</td><td>\$0.0446</td></tr><tr><td>G4</td><td>All</td><td>\$0.0336</td></tr><tr><td>G5</td><td>All</td><td>\$0.0280</td></tr><tr><td>I1</td><td><4,000 kW</td><td>\$0.0624</td></tr><tr><td>I1</td><td>>4,000 kW</td><td>\$0.0499</td></tr></table>						Commercial/Industrial MCA-Winter/Summer			Class	Type	\$ per kWh	ES	All	\$0.0094	EM	All	\$0.0698	EL	All	\$0.0100	G1	All	\$0.0409	G2	All	\$0.0483	G3	All	\$0.0446	G4	All	\$0.0336	G5	All	\$0.0280	I1	<4,000 kW	\$0.0624	I1	>4,000 kW	\$0.0499
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I1	<4,000 kW	\$0.0624																																							
I1	>4,000 kW	\$0.0499																																							

Average Rate Change by Rate Class	
EA	9.40%
EE	12.68%
ED	10.07%
G1	7.39%
G2	16.23%
G3	22.47%
G4	14.69%
G5	15.15%
I1 < 4mw	73.71%
I1 > 4mw	50.26%
ES	10.00%
EM	88.09%
EL	10.00%
Avg	19.48%

DRAFT

AN URGENCY ORDINANCE OF THE CITY COUNCIL OF THE CITY OF LODI AMENDING LODI MUNICIPAL CODE TITLE 13 – PUBLIC SERVICES – CHAPTER 13.20, “ELECTRICAL SERVICE,” BY REPEALING AND REENACTING SECTIONS 13.20.175 (D)-(1), (5) and (6) RELATING TO MARKET COST ADJUSTMENT BILLING FACTOR; AND FURTHER REPEALING SECTION 13.20.185 IN ITS ENTIRETY RELATING TO PREEXISTING ELECTRIC RATES

Whereas wholesale Electricity Prices have increased by approximately 38.6% since the last time the Market Cost Adjustment was implemented as a result of unforeseen natural disasters and other worldwide events; and

Whereas, the Lodi Electric Utility is currently selling power to its customers at a significant loss; and

Whereas the Lodi Electric Utility is required to set rates under the rate covenants set forth in its bonded indebtedness at 110 percent of its cost of service; and

Whereas continued operation of the Electric Utility at a loss, could place the Electric Utility in default of its rate covenants and subject the City to significant litigation, costs and threaten the Electric Utilities ability to continue providing electric service to its customers; and

Whereas electric service is necessary to provide for the public peace, health and safety of the residents of the City of Lodi.

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF LODI AS FOLLOWS:

Section 1. Lodi Municipal Code Title 13, “Public Services,” Chapter 13.20, “Electrical Service,” is hereby amended by repealing and reenacting Section 13.20.175 (D)-(1), (5) and (6) relating to Market Cost Adjustment Billing Factor, and shall read as follows:

D. Calculation of the Power Cost Adjustment Billing Factor.

1. When the Electric Utility Director deems that substantial changes in power supply costs have occurred relative to the costs included in base rates, the market cost adjustment billing factor shall be activated following the approval of the City Council in amounts and at times set by Resolution.
5. The Electric Utility Department shall furnish to the City Council a notice of any proposed activation or change in the MCA billing factor. Any activation or change in the MCA billing factor requires approval of the City Council in amounts and at times set by Resolution.
6. The Electric Utility Department generally shall make the MCA billing factors effective as of the first day of the appropriate month. Adjustments to the MCA shall be no more frequent than quarterly and no less than semi-annually.

Section 2. Lodi Municipal Code Title 13, “Public Services,” Chapter 13.20, “Electrical Service,” is hereby amended by repealing Section 13.20.185 in its entirety relating to Preexisting Electric Rates.

Section 3. This is an urgency ordinance under Government Code §36934, and is necessary to insure the Lodi Electric Utility’s continued ability to provide Electricity to the Citizens of Lodi and therefore provide for the public peace, health and safety for the reasons set forth above.

Section 4 - No Mandatory Duty of Care. This ordinance is not intended to and shall not be construed or given effect in a manner which imposes upon the City, or any officer or employee thereof, a mandatory duty of care towards persons or property within the City or outside of the City so as to provide a basis of civil liability for damages, except as otherwise imposed by law.

Section 5. All ordinances and parts of ordinances in conflict herewith are repealed insofar as such conflict may exist.

Section 6. This urgency ordinance shall be published one time in the "Lodi News Sentinel", a daily newspaper of general circulation printed and published in the City of Lodi and shall be in force and take effect immediately.

Approved this 19th day of October, 2005.

JOHN BECKMAN
Mayor

Attest:

SUSAN J. BLACKSTON
City Clerk

State of California
County of San Joaquin, ss.

I, Susan J. Blackston, City Clerk of the City of Lodi, do hereby certify that Ordinance No. 1765 was adopted as an urgency ordinance at a regular meeting of the City Council of the City of Lodi held October 19, 2005 and was thereafter passed, adopted and ordered to print by the following vote:

AYES: COUNCIL MEMBERS –

NOES: COUNCIL MEMBERS –

ABSENT: COUNCIL MEMBERS –

ABSTAIN: COUNCIL MEMBERS –

I further certify that Ordinance No. 1765 was approved and signed by the Mayor of the date of its passage and the same has been published pursuant to law.

SUSAN J. BLACKSTON
City Clerk

Approved as to Form:

D. STEPHEN SCHWABAUER
City Attorney

RESOLUTION NO. 2005-_____

DRAFT

A RESOLUTION OF THE LODI CITY
COUNCIL APPROVING MARKET COST
ADJUSTMENT

=====

NOW, THEREFORE, BE IT RESOLVED that the Lodi City Council does hereby approve the Market Cost Adjustment (MCA) as set forth in the rate schedules attached marked Exhibit A, and will take effect immediately.

Dated: October 19, 2005

=====

I hereby certify that Resolution No. 2005-_____ was passed and adopted by the Lodi City Council in a regular meeting held October 19, 2005, by the following vote:

AYES: COUNCIL MEMBERS –

NOES: COUNCIL MEMBERS –

ABSENT: COUNCIL MEMBERS –

ABSTAIN: COUNCIL MEMBERS –

SUSAN J. BLACKSTON
City Clerk

2005-_____

EXHIBIT A

MARKET COST ADJUSTMENT BILLING FACTOR

The Market Cost Adjustment Billing Factor by designated rate schedule, in dollars per kilowatt-hour, shall be shown in the Section.
Certain classes may have a tiered MCABF by level of monthly consumption.

Winter Residential MCA

EA

Tier	kWh	\$ per kWh
1	0-390	\$ 0.0173
2	391-507	\$ 0.0100
3	508-780	\$ 0.0865
4	781-1,170	\$ 0.1651
5	above 1,170	\$ 0.1909

EE

Tier	kWh	\$ per kWh
1	0-952	\$ 0.0213
2	953-1,000	\$ 0.0378
3	1,001-1,237	\$ -
4	1,238-1,903	\$ 0.0885
5	above 1,903	\$ 0.1635

ED

Tier	kWh	\$ per kWh
1	0-390	\$ 0.0132
2	391-507	\$ 0.0076
3	508-780	\$ 0.0657
4	781-1,170	\$ 0.1255
5	above 1,170	\$ 0.1451

EF

Tier	kWh	\$ per kWh
1	0-952	\$ 0.0162
2	953-1,000	\$ 0.0287
3	1,001-1,237	\$ -
4	1,238-1,903	\$ 0.0673
5	above 1,903	\$ 0.1242

Summer Residential MCA

EA

Tier	kWh	\$ per kWh
1	0-440	\$ 0.0206
2	441-637	\$ -
3	638-980	\$ 0.0847
4	981-1,469	\$ 0.1635
5	above 1,469	\$ 0.1928

EE

Tier	kWh	\$ per kWh
1	0-585	\$ 0.0213
2	586-773	\$ -
3	774-1,190	\$ 0.0865
4	1,191-1,784	\$ 0.1668
5	above 1,784	\$ 0.1928

ED

Tier	kWh	\$ per kWh
1	0-440	\$ 0.0157
2	441-637	\$ -
3	638-980	\$ 0.0644
4	981-1,469	\$ 0.1242
5	above 1,469	\$ 0.1465

EF

Tier	kWh	\$ per kWh
1	0-585	\$ 0.0162
2	586-773	\$ -
3	774-1,190	\$ 0.0657
4	1,191-1,784	\$ 0.1268
5	above 1,784	\$ 0.1465

Commercial/Industrial MCA-Winter/Summer

Class	Type	\$ per kWh
ES	All	\$0.0094
EM	All	\$0.0698
EL	All	\$0.0100
G1	All	\$0.0409
G2	All	\$0.0483
G3	All	\$0.0446
G4	All	\$0.0336
G5	All	\$0.0280
I1	<4,000 kW	\$0.0624
I1	>4,000 kW	\$0.0499

DRAFT

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF LODI AMENDING LODI MUNICIPAL CODE TITLE 13 – PUBLIC SERVICES – CHAPTER 13.20, “ELECTRICAL SERVICE,” BY REPEALING AND REENACTING SECTIONS 13.20.175 (D)-(1), (5) and (6) RELATING TO MARKET COST ADJUSTMENT BILLING FACTOR; AND FURTHER REPEALING SECTION 13.20.185 IN ITS ENTIRETY RELATING TO PREEXISTING ELECTRIC RATES

=====

Whereas wholesale Electricity Prices have increased by approximately 38.6% since the last time the Market Cost Adjustment was implemented as a result of unforeseen natural disasters and other worldwide events; and

Whereas, the Lodi Electric Utility is currently selling power to its customers at a significant loss; and

Whereas the Lodi Electric Utility is required to set rates under the rate covenants set forth in its bonded indebtedness at 110 percent of its cost of service; and

Whereas continued operation of the Electric Utility at a loss, could place the Electric Utility in default of its rate covenants and subject the City to significant litigation, costs and threaten the Electric Utilities ability to continue providing electric service to its customers; and

Whereas electric service is necessary to provide for the public peace, health and safety of the residents of the City of Lodi.

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF LODI AS FOLLOWS:

Section 1. Lodi Municipal Code Title 13, “Public Services,” Chapter 13.20, “Electrical Service,” is hereby amended by repealing and reenacting Section 13.20.175 (D)-(1), (5) and (6) relating to Market Cost Adjustment Billing Factor, and shall read as follows:

D. Calculation of the Power Cost Adjustment Billing Factor.

1. When the Electric Utility Director deems that substantial changes in power supply costs have occurred relative to the costs included in base rates, the market cost adjustment billing factor shall be activated following the approval of the City Council in amounts and at times set by Resolution.
5. The Electric Utility Department shall furnish to the City Council a notice of any proposed activation or change in the MCA billing factor. Any activation or change in the MCA billing factor requires approval of the City Council in amounts and at times set by Resolution.
6. The Electric Utility Department generally shall make the MCA billing factors effective as of the first day of the appropriate month. Adjustments to the MCA shall be no more frequent than quarterly and no less than semi-annually.

Section 2. Lodi Municipal Code Title 13, “Public Services,” Chapter 13.20, “Electrical Service,” is hereby amended by repealing Section 13.20.185 in its entirety relating to Preexisting Electric Rates.

Section 3 - No Mandatory Duty of Care. This ordinance is not intended to and shall not be construed or given effect in a manner which imposes upon the City, or any officer or employee

thereof, a mandatory duty of care towards persons or property within the City or outside of the City so as to provide a basis of civil liability for damages, except as otherwise imposed by law.

Section 4. All ordinances and parts of ordinances in conflict herewith are repealed insofar as such conflict may exist.

Section 5. This ordinance shall be published one time in the "Lodi News Sentinel," a daily newspaper of general circulation printed and published in the City of Lodi and shall be in force and take effect thirty days from and after its passage and approval.

Approved this ____ day of _____, 2005.

JOHN BECKMAN
Mayor

Attest:

SUSAN J. BLACKSTON
City Clerk

State of California
County of San Joaquin, ss.

I, Susan J. Blackston, City Clerk of the City of Lodi, do hereby certify that Ordinance No. 1766 was introduced at a regular meeting of the City Council of the City of Lodi held October 19, 2005, and was thereafter passed, adopted, and ordered to print at a regular meeting of said Council held _____, 2005, by the following vote:

AYES: COUNCIL MEMBERS –

NOES: COUNCIL MEMBERS –

ABSENT: COUNCIL MEMBERS –

ABSTAIN: COUNCIL MEMBERS –

I further certify that Ordinance No. 1766 was approved and signed by the Mayor of the date of its passage and the same has been published pursuant to law.

SUSAN J. BLACKSTON
City Clerk

Approved as to Form:

D. STEPHEN SCHWABAUER
City Attorney

K-1

Susan Blackston

From: Susan Blackston
Sent: Wednesday, October 19, 2005 10:34 AM
To: 'Kevin'
Cc: City Council; Blair King; Steve Schwabauer; Dave Dockham (Lodi EUD)
Subject: RE: Lodi Iron Works, Inc. - Electrical Rates

Dear Kevin Van Steenberge:

This reply is to confirm that your message was received by the City Clerk's Office and each member of the City Council. In addition, by copy of this e-mail, we have forwarded your message to the following departments for information, referral, or handling: 1) City Manager, 2) City Attorney, and 3) Interim Electric Utility Director.

/s/ Susan J. Blackston, City Clerk

-----Original Message-----

From: Kevin [mailto:Kevin@lodiiron.com]
Sent: Wednesday, October 19, 2005 10:26 AM
To: Susan Blackston; Susan Hitchcock; Bob Johnson; JoAnne Mounce; John Beckman; Larry Hansen
Subject: Lodi Iron Works, Inc. - Electrical Rates

To our honorable city council:

John Beckman, Susan Hitchcock, Joanne Mounce, Larry Hansen & Bob Johnson

I had a visit by Blair King, David Dockham, Mel Grande & Rob Lechner yesterday afternoon (10-18-05). They were the bearer of bad news and informed me that our electrical rates are going up another 50% effective 11-1-05. This is a shock to me and it will hurt my business. I may be forced to do some actions that I don't want to do but I am looking at every option that is available to me. We have been in a contract with the electrical dept for the last 2 plus years that allows a 33% rate increase over 3 years starting a little over 2 years ago. The deal was to do an 11% rate increase each year for a total of 3 years. The 3rd and final year just started 10-1-05 with the final 11% rate increase. Now my business is hit with another 50% rate increase that will increase my overall electrical costs to over 80% in the last 3 years. This is absurd!! For our business, we have invested heavily into future growth and this will cause us to step back and may have to consider cutting back our labor force. I was reading the Record and Lodi News Sentinel this morning and saw a couple of articles that mentioned about this rate increase. According to the articles, it said large commercial business will be seeing a 14% to 22% rate increase. Why is it that we are hit with a 50% rate increase? I've been told that the electrical dept has been buying power for more than what they charge us for. I thought that is why we are in the middle of a 3 year contract to bring our costs up to reflect the market costs. I am pleading to you to help us. This huge increase could really set up back. Thank you for taking the time to read this. If you have any questions, please do not hesitate to contact me. Regards, Kevin Van Steenberge, President Lodi Iron Works, Inc.
820 So. Sacramento St. Lodi, CA 95240 p. 209-368-5395 ext. 1
f 209-339-1453
e. kevin@lodiiron.com <mailto:kevin@lodiiron.com>
Website: www.lodiiron.com <http://www.lodiiron.com>

K-1

Susan Blackston

From: Susan Blackston
Sent: Wednesday, October 19, 2005 11:40 AM
To: 'Mark Phillips'
Cc: City Council; Blair King; Steve Schwabauer; Dave Dockham (Lodi EUD)
Subject: RE: Electrical Energy Costs

Dear Mark Phillips:

This reply is to confirm that your message was received by the City Clerk's Office and each member of the City Council. In addition, by copy of this e-mail, we have forwarded your message to the following departments for information, referral, or handling: 1) City Manager, 2) City Attorney, and 3) Interim Electric Utility Director.

s/ Susan J. Blackston, City Clerk

-----Original Message-----

From: Mark Phillips [mailto:Mark.Phillips@ssimail.net]
Sent: Wednesday, October 19, 2005 11:23 AM
To: Susan Blackston; Susan Hitchcock; Bob Johnson; JoAnne Mounce; John Beckman; Larry Hansen
Subject: Electrical Energy Costs

Dear Council Members,

I was informed yesterday about the impending potential rate increase for electrical costs scheduled for November 1st of this year. I was aware and in support of a rate increase for the Industrial accounts that were on the transitional rate plan due to information published about the financial issues with the Electrical Utility Department. In other words, I feel that those of us on this transitional rate plan were realistic about an impending increase. However, I believe that we were all shocked at how much of an increase is being proposed and the apparent "change of philosophy" that the City of Lodi has adopted.

When we came to Lodi in 2000, we were told that Lodi had a policy of keeping the commercial rates very competitive in order to attract companies to Lodi to provide for a robust local economy. It was felt that the residents would be willing to pay a little more to keep the local economy very healthy. It is certainly concerning that there has been such a radical change in philosophy.

A 57 % increase in rates for SSI Schaefer Systems International results in an increase in costs of \$300,000 annually with little time to react. This is very difficult financially to overcome for a small manufacturing facility such as ours.

I will be at the City Council Meeting tonight.

I would hope that you are careful to fully understand the potential ramifications of such an increase on the local economy.

I'll see you tonight.

Sincerely,

Mark Phillips
 Mark Phillips
 Plant Manager
 Schaefer Systems International, Inc
 Lodi, CA Operations
 209 365 6030

0/19/2005



filed 10-19-05
Finance Director
(K-1)

Memo

To: The Mayor and City Council Members
Through: Blair King
From: Jim Krueger
Date: 10/19/2005
Re: Financial Ratios for Lodi Electric Utility

Attached you will find two worksheets showing various financial ratios. The first shows the City of Lodi over the last ten years starting with fiscal year 1995-96 and ending with fiscal year 2004-05 (Unaudited). The second worksheet shows ratios for other cities in California. All of the cities except for Anaheim (amongst the comparison cities used) are members of The Northern California Power Agency. All of the comparative information for other cities comes from the Comprehensive Annual Financial Reports available from City websites.

In the brief time available to do this analysis, it was not possible to provide exhaustive comparable data from cities of the same size as Lodi. It should be apparent that there is no "average" city. Therefore, it is advised that you use this information to make only limited comparisons and conclusions. Having said that, the following conclusions do appear valid:

- The net assets for Lodi Electric utility have steadily declined over the last ten years. Although other cities are mostly larger, which is evidenced by the operating expenditures numbers, the basic ratios should not be too far different from Lodi. The worksheet shows that all other cities have better financial ratios than the City of Lodi.
- Although the cash position increased right after the sale of bonds in 2002, the ratios did not show any improvement. This shows that borrowing money does not improve the underlying financial health of the utility unless the proceeds of the borrowing is used to purchase productive assets that increase the revenue base or decrease operating expenditures. Neither of these elements was true in the case of Lodi and consequently the underlying financial structure did not improve due to the borrowing of money in 1999 and in 2002.

**City of Lodi
Financial Ratios
For Fiscal Years 1996-2005**

	1996	1997	1998	1999	2000	2001	2002	2003	2004	Unaudited 2005
Cash	23,232,009	4,498,061	16,218,874	14,308,528	15,895,762	5,385,778	2,423,175	771,588	6,347,087	4,896,603
Current Assets	11,689,630	29,456,891	29,817,723	23,083,414	63,569,393	54,232,613	33,775,921	33,516,295	34,030,202	24,988,681
Current Liabilities	<u>1,247,383</u>	<u>1,309,384</u>	<u>1,779,731</u>	<u>660,639</u>	<u>1,833,136</u>	<u>3,275,106</u>	<u>2,481,728</u>	<u>6,347,522</u>	<u>11,656,259</u>	<u>3,707,651</u>
Net Current Assets	10,442,247	28,147,507	28,037,992	22,422,775	61,736,257	50,957,507	31,294,193	27,168,773	22,373,943	21,281,030
Current Ratio	9.37	22.50	16.75	34.94	34.68	16.56	13.61	5.28	2.92	6.74
Total Assets	23,232,009	41,825,828	43,945,202	40,376,043	82,578,583	79,523,396	63,769,976	106,569,576	106,864,572	94,560,612
Total Liabilities	<u>1,247,383</u>	<u>1,309,384</u>	<u>1,779,731</u>	<u>1,380,159</u>	<u>45,905,057</u>	<u>47,464,014</u>	<u>49,447,921</u>	<u>88,786,669</u>	<u>91,170,428</u>	<u>81,286,022</u>
Net Assets	21,984,626	40,516,444	42,165,471	38,995,884	36,673,526	32,059,342	14,322,055	17,782,907	15,694,144	13,274,590
Change in Net Assets	897,150	18,531,818	1,649,027	(3,169,587)	(2,749,740)	(4,614,184)	(17,728,068)	3,460,852	(2,088,763)	(2,419,554)
Operating Expenditures	35,947,825	35,529,704	37,780,818	44,981,033	44,412,498	49,345,410	67,090,198	53,271,419	58,886,525	59,827,791
Net Assets /Assets	0.95	0.97	0.96	0.97	0.44	0.40	0.22	0.17	0.15	0.14
Debt/Equity	0.06	0.03	0.04	0.04	1.25	1.48	3.45	4.99	5.81	6.12

Source: City of Lodi Comprehensive Annual Financial Reports

**Other NCPA Cities
Financial Ratios
Fiscal Year 2004**

	Roseville	Redding	Anaheim	Healdsburg	Lompoc	Palo Alto	Santa Clara	Average
Cash	71,238,148	41,762,689	135,936,000	8,220,676	7,608,240	158,325,000	431,754,944	122,120,814
Current Assets	90,530,831	64,701,045	196,377,000	11,385,474	14,433,380	169,267,000	504,459,333	150,164,866
Current Liabilities	<u>18,246,234</u>	<u>18,724,687</u>	<u>50,825,000</u>	<u>374,979</u>	<u>1,271,397</u>	<u>10,821,000</u>	<u>132,745,324</u>	<u>33,286,946</u>
Net Current Assets	72,284,597	45,976,358	145,552,000	11,010,495	13,161,983	158,446,000	371,714,009	116,877,920
Current Ratio	4.96	3.46	3.86	30.36	11.35	15.64	3.80	4.51
Total Assets	298,150,488	260,471,676	1,043,374,000	20,803,501	39,752,362	302,216,000	1,058,101,877	431,838,558
Total Liabilities	49,747,225	<u>110,010,127</u>	<u>674,291,000</u>	<u>374,979</u>	<u>1,530,357</u>	<u>10,821,000</u>	<u>407,215,100</u>	<u>179,141,398</u>
Net Assets	248,403,263	150,461,549	369,083,000	20,428,522	38,222,005	291,395,000	650,886,777	252,697,159
Change in Net Assets								
Operating Expenditures	85,405,844	117,313,428	279,573,000	8,088,627	16,496,326	83,191,000	169,313,776	108,483,143
Net Assets /Assets	0.83	0.58	0.35	0.98	0.96	0.96	0.62	0.59
Debt/Equity	0.20	0.73	1.83	0.02	0.04	0.04	0.63	0.71

Source: City of Lodi Com

Source: Comprehensive Annual Financial Reports for other cities as June 30, 2004

filed 10-19-05
 Dockham
 Residential Expanded

K-1

under Res p:
 Scenario

Summer Rate EA Residential

Kwh Level	% of Customers	Ave Rates	Ave Rates
388	25%	2.1%	13.3%
700	25%	-5.0%	5.4%
>700	50%	18.1%	31.1%

			Stockton Utility Tax @ 6% Trueup 1/1/06			Under Res pay				
			Current Lodi Bill	Proposed Lodi Bill	Proposed Pg&E Bill	Bill under Res pay Scenario 1.11	Old/New Lodi % change	Proposed Lodi/Pg&E % change	Scenario Old/New Lodi % change	
Kwh										
1%	1%	13	\$5.09	\$5.13	\$4.51	\$5.69	0.8%	14%	12%	
1%	0%	38	\$5.53	\$5.64	\$4.54	\$6.27	2.1%	24%	13%	
2%	0%	63	\$7.34	\$7.53	\$7.57	\$8.36	2.7%	-1%	14%	
2%	1%	88	\$10.27	\$10.55	\$10.60	\$11.71	2.7%	-1%	14%	
3%	1%	113	\$13.20	\$13.56	\$13.63	\$15.05	2.7%	-1%	14%	
4%	1%	138	\$16.14	\$16.57	\$16.66	\$18.39	2.7%	-1%	14%	
5%	1%	163	\$19.07	\$19.58	\$19.69	\$21.74	2.7%	-1%	14%	
7%	2%	188	\$22.01	\$22.60	\$22.72	\$25.08	2.7%	-1%	14%	
9%	2%	213	\$24.94	\$25.61	\$25.75	\$28.43	2.7%	-1%	14%	
11%	2%	238	\$27.88	\$28.62	\$28.78	\$31.77	2.7%	-1%	14%	
13%	2%	263	\$30.81	\$31.64	\$31.80	\$35.12	2.7%	-1%	14%	
15%	2%	288	\$33.74	\$34.65	\$34.83	\$38.46	2.7%	-1%	14%	
17%	2%	313	\$36.87	\$37.66	\$37.86	\$41.81	2.2%	-1%	13%	
19%	2%	338	\$40.17	\$40.68	\$40.89	\$45.15	1.2%	-1%	12%	
21%	2%	363	\$43.48	\$43.69	\$43.92	\$48.49	0.5%	-1%	12%	
23%	2%	388	\$46.79	\$46.70	\$46.95	\$51.84	-0.2%	-1%	11%	
26%	2%	413	\$50.10	\$49.71	\$49.98	\$55.18	-0.8%	-1%	10%	
28%	2%	438	\$53.41	\$52.73	\$53.01	\$58.53	-1.3%	-1%	10%	
31%	3%	463	\$57.58	\$56.14	\$56.04	\$62.31	-2.5%	0%	8%	
33%	3%	488	\$61.85	\$59.59	\$59.06	\$66.15	-3.7%	1%	7%	
35%	2%	513	\$66.12	\$63.05	\$62.47	\$69.98	-4.6%	1%	6%	
38%	2%	538	\$70.38	\$66.50	\$65.91	\$73.82	-5.5%	1%	5%	
40%	2%	563	\$74.65	\$69.96	\$69.35	\$77.65	-6.3%	1%	4%	
42%	2%	588	\$78.92	\$73.41	\$72.79	\$81.49	-7.0%	1%	3%	
45%	2%	613	\$83.39	\$76.86	\$76.24	\$85.32	-7.8%	1%	2%	
47%	2%	638	\$88.07	\$80.38	\$79.75	\$89.23	-8.7%	1%	1%	
49%	2%	663	\$92.75	\$85.96	\$85.36	\$95.41	-7.3%	1%	3%	
51%	2%	688	\$97.43	\$91.53	\$90.98	\$101.60	-6.1%	1%	4%	
53%	2%	713	\$102.11	\$97.10	\$96.59	\$107.78	-4.9%	1%	6%	
55%	2%	738	\$106.79	\$102.67	\$102.21	\$113.97	-3.9%	0%	7%	
58%	2%	763	\$111.47	\$108.25	\$107.82	\$120.15	-2.9%	0%	8%	
60%	2%	788	\$116.15	\$113.82	\$113.44	\$126.34	-2.0%	0%	9%	
62%	2%	813	\$120.83	\$119.39	\$119.06	\$132.53	-1.2%	0%	10%	

Revenue Detail
 filed 10-19-05
 Dockham (K-1)

	Lodi Current Revenue	Lodi Energy KWh	Lodi Ave \$/kwh	Proposed Lodi & PG&E Rate w/6%	% Change	Revenue at Proposed Rate
EA	\$ 19,637,674	134,010,453	\$ 0.1465	\$ 0.1603	9.38%	\$ 21,478,985
EE	\$ 460,503	3,550,200	\$ 0.1297	\$ 0.1532	18.10%	\$ 543,866
ED Share	\$ 813,324	9,658,833	\$ 0.0842	\$ 0.0927	10.07%	\$ 895,231
EM Domestic	\$ 208,802	2,634,762	\$ 0.0792	\$ 0.1491	88.09%	\$ 392,735
Residential	\$ 21,120,303	149,854,248	\$ 0.1409	\$ 0.1556	10.37%	\$ 23,310,817
G1	\$ 6,568,419	42,511,770	\$ 0.1545	\$ 0.1659	7.39%	\$ 7,054,106
G2	\$ 14,016,962	108,902,370	\$ 0.1287	\$ 0.1496	16.23%	\$ 16,291,675
G3 Small	\$ 1,534,402	13,092,777	\$ 0.1172	\$ 0.1435	22.47%	\$ 1,879,240
G4 Medium Industrial	\$ 2,280,317	21,224,562	\$ 0.1074	\$ 0.1232	14.69%	\$ 2,615,360
Dusk to Dawn	\$ 34,228	414		NA	NA	\$ 37,651
City ES	\$ 761,616	8,068,421	\$ 0.0944	NA	NA	\$ 837,778
Commercial	\$ 25,195,944	193,800,314	\$ 0.1300	\$ 0.1482	13.97%	\$ 28,715,810
G5	\$ 1,101,384	11,119,420	\$ 0.0991	\$ 0.1141	15.15%	\$ 1,268,226
I-1 General Mills	\$ 2,351,642	36,643,139	\$ 0.0642	\$ 0.1141	77.72%	\$ 4,179,337
Contract Medium	\$ 424,520	4,980,041	\$ 0.0852	\$ 0.1232	44.55%	\$ 613,657
Contract Large	\$ 3,520,437	56,719,861	\$ 0.0621	\$ 0.1078	73.71%	\$ 6,115,359
Industrial	\$ 7,397,983	109,462,461	\$ 0.0676	\$ 0.1112	64.59%	\$ 12,176,579

System	\$ 53,714,229	453,117,023	\$ 0.1185	\$ 0.1417	19.53%	\$ 64,203,205
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2006 Member Average Rates

filed 10-19-05
 Dockham
 NCPA comparison
 K-1

	= under PG&E		= w/i 1 cent PG&E		= Over PG&E
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Expected 2006 Class Average Rates – cents/kWh

Utility	Residential	Commercial	Industrial	Member System Average Rate	PG&E "Equivalent" Normalized Average System Rate
Alameda	\$ 0.1210	\$ 0.1294	\$ 0.1160	\$ 0.1246	\$ 0.1356
Biggs	\$ 0.1237	\$ 0.0821	\$ 0.0669	\$ 0.0848	\$ 0.1203
Gridley	\$ 0.1245	\$ 0.1220	\$ -	\$ 0.1230	\$ 0.1361
Healdsburg	\$ 0.1318	\$ 0.1171	\$ 0.1246	\$ 0.1229	\$ 0.1373
Lodi	\$ 0.1446	\$ 0.1325	\$ 0.0571	\$ 0.1206	\$ 0.1319
Lodi Proposed	\$ 0.1556	\$ 0.1482	\$ 0.1112	\$ 0.1417	\$ 0.1417
Lompoc	\$ 0.0975	\$ 0.1142	\$ 0.0935	\$ 0.1016	\$ 0.1296
Palo Alto	\$ 0.0781	\$ 0.0757	\$ 0.0699	\$ 0.0740	\$ 0.1292
Plumas-Sierra	\$ 0.0945	\$ 0.1042	\$ 0.0699	\$ 0.0837	\$ 0.1225
Roseville	\$ 0.0975	\$ 0.0875	\$ 0.0725	\$ 0.0903	\$ 0.1290
Ukiah	\$ 0.1380	\$ 0.1532	\$ 0.1051	\$ 0.1331	\$ 0.1288
Lassen Municipal	\$ 0.1232	\$ 0.1298	\$ 0.1411	\$ 0.1278	\$ 0.1332
Redding	\$ 0.0878	\$ 0.0899	\$ 0.0930	\$ 0.0890	\$ 0.1360
Santa Clara	\$ 0.0802	\$ 0.1106	\$ 0.0780	\$ 0.0796	\$ 0.1130
Truckee Donner	\$ 0.1262	\$ 0.1520	\$ -	\$ 0.1385	\$ 0.1372
Turlock	\$ 0.1012	\$ 0.0817	\$ 0.0635	\$ 0.0821	\$ 0.1262
Pacific Gas & Electric	\$ 0.1326	\$ 0.1422	\$ 0.1095	\$ 0.1343	\$ 0.1343
Pacific Gas & Electric-Proposed	\$ 0.1557	\$ 0.1499	\$ 0.1112	\$ 0.1417	\$ 0.1417
Sacramento Municipal Util Dist	\$ 0.1177	\$ 0.0949	\$ 0.0871	\$ 0.1010	\$ 0.1220
Southern California Edison	\$ 0.1238	\$ 0.1280	\$ 0.1281	\$ 0.1264	\$ 0.1349

Kwh Level	% of Customers	Ave Rates
388	25%	2.1%
700	25%	-5.0%

Filed 10-19-05
King (K-1)

Rate Change
Dor EA

Stockton Utility Tax @ 6%
Trueup 1/1/06

Kwh			Current Lodi Bill	Proposed Lodi Bill	Proposed Pg&E Bill	Old/New Lodi % change	Proposed Lodi/Pg&E % change
1%	1%	13	\$5.09	\$5.13	\$4.51	0.8%	14%
1%	0%	38	\$5.53	\$5.64	\$4.54	2.1%	24%
2%	0%	63	\$7.34	\$7.53	\$7.57	2.7%	-1%
2%	1%	88	\$10.27	\$10.55	\$10.60	2.7%	-1%
3%	1%	113	\$13.20	\$13.56	\$13.63	2.7%	-1%
4%	1%	138	\$16.14	\$16.57	\$16.66	2.7%	-1%
5%	1%	163	\$19.07	\$19.58	\$19.69	2.7%	-1%
7%	2%	188	\$22.01	\$22.60	\$22.72	2.7%	-1%
9%	2%	213	\$24.94	\$25.61	\$25.75	2.7%	-1%
11%	2%	238	\$27.88	\$28.62	\$28.78	2.7%	-1%
13%	2%	263	\$30.81	\$31.64	\$31.80	2.7%	-1%
15%	2%	288	\$33.74	\$34.65	\$34.83	2.7%	-1%
17%	2%	313	\$36.87	\$37.66	\$37.86	2.2%	-1%
19%	2%	338	\$40.17	\$40.68	\$40.89	1.2%	-1%
21%	2%	363	\$43.48	\$43.69	\$43.92	0.5%	-1%
23%	2%	388	\$46.79	\$46.70	\$46.95	-0.2%	-1%
26%	2%	413	\$50.10	\$49.71	\$49.98	-0.8%	-1%
28%	2%	438	\$53.41	\$52.73	\$53.01	-1.3%	-1%
31%	3%	463	\$57.58	\$56.14	\$56.04	-2.5%	0%
33%	3%	488	\$61.85	\$59.59	\$59.06	-3.7%	1%
35%	2%	513	\$66.12	\$63.05	\$62.47	-4.6%	1%
38%	2%	538	\$70.38	\$66.50	\$65.91	-5.5%	1%
40%	2%	563	\$74.65	\$69.96	\$69.35	-6.3%	1%
42%	2%	588	\$78.92	\$73.41	\$72.79	-7.0%	1%
45%	2%	613	\$83.39	\$76.86	\$76.24	-7.8%	1%
47%	2%	638	\$88.07	\$80.38	\$79.75	-8.7%	1%
49%	2%	663	\$92.75	\$85.96	\$85.36	-7.3%	1%
51%	2%	688	\$97.43	\$91.53	\$90.98	-6.1%	1%
53%	2%	713	\$102.11	\$97.10	\$96.59	-4.9%	1%
55%	2%	738	\$106.79	\$102.67	\$102.21	-3.9%	0%

58%	2%	763	\$111.47	\$108.25	\$107.82	-2.9%	0%
60%	2%	788	\$116.15	\$113.82	\$113.44	-2.0%	0%
62%	2%	813	\$120.83	\$119.39	\$119.06	-1.2%	0%
64%	2%	838	\$125.51	\$124.96	\$124.67	-0.4%	0%
65%	2%	863	\$130.19	\$130.54	\$130.29	0.3%	0%
67%	2%	888	\$134.87	\$136.11	\$135.90	0.9%	0%
69%	2%	913	\$139.65	\$141.68	\$141.52	1.5%	0%
70%	2%	938	\$144.54	\$147.26	\$147.14	1.9%	0%
72%	1%	963	\$149.44	\$152.83	\$152.75	2.3%	0%
74%	2%	988	\$154.33	\$159.02	\$159.00	3.0%	0%
75%	1%	1,013	\$159.22	\$166.56	\$166.63	4.6%	0%
76%	1%	1,038	\$164.11	\$174.10	\$174.25	6.1%	0%
78%	1%	1,063	\$169.00	\$181.65	\$181.88	7.5%	0%
79%	1%	1,088	\$173.90	\$189.19	\$189.50	8.8%	0%
80%	1%	1,113	\$178.79	\$196.73	\$197.12	10.0%	0%
81%	1%	1,138	\$183.68	\$204.27	\$204.75	11.2%	0%
82%	1%	1,163	\$188.57	\$211.81	\$212.37	12.3%	0%
83%	1%	1,188	\$193.46	\$219.35	\$220.00	13.4%	0%
84%	1%	1,213	\$198.36	\$226.89	\$227.62	14.4%	0%
85%	1%	1,238	\$203.25	\$234.43	\$235.25	15.3%	0%
86%	1%	1,263	\$208.14	\$241.97	\$242.87	16.3%	0%
87%	1%	1,288	\$213.03	\$249.51	\$250.49	17.1%	0%
88%	1%	1,313	\$217.92	\$257.05	\$258.12	18.0%	0%
89%	1%	1,338	\$222.82	\$264.60	\$265.74	18.8%	0%
89%	1%	1,363	\$227.71	\$272.14	\$273.37	19.5%	0%
90%	1%	1,388	\$232.60	\$279.68	\$280.99	20.2%	0%
90%	1%	1,413	\$237.49	\$287.22	\$288.62	20.9%	0%
91%	1%	1,438	\$242.38	\$294.76	\$296.24	21.6%	0%
92%	1%	1,463	\$247.28	\$302.30	\$303.86	22.3%	-1%
92%	1%	1,488	\$252.17	\$310.37	\$311.96	23.1%	-1%
93%	0%	1,513	\$257.06	\$318.65	\$320.23	24.0%	0%
93%	0%	1,538	\$261.95	\$326.92	\$328.51	24.8%	0%
93%	0%	1,563	\$266.84	\$335.20	\$336.78	25.6%	0%
94%	0%	1,588	\$271.74	\$343.47	\$345.06	26.4%	0%
94%	0%	1,613	\$276.63	\$351.74	\$353.33	27.2%	0%
95%	0%	1,638	\$281.52	\$360.02	\$361.61	27.9%	0%
95%	0%	1,663	\$286.41	\$368.29	\$369.88	28.6%	0%
95%	0%	1,688	\$291.30	\$376.57	\$378.15	29.3%	0%
95%	0%	1,713	\$296.20	\$384.84	\$386.43	29.9%	0%
96%	0%	1,738	\$301.09	\$393.12	\$394.70	30.6%	0%
96%	0%	1,763	\$305.98	\$401.39	\$402.98	31.2%	0%
96%	0%	1,788	\$310.87	\$409.66	\$411.25	31.8%	0%

96%	0%	1,813	\$315.76	\$417.94	\$419.53	32.4%	0%
97%	0%	1,838	\$320.66	\$426.21	\$427.80	32.9%	0%
97%	0%	1,863	\$325.55	\$434.49	\$436.07	33.5%	0%
97%	0%	1,888	\$330.44	\$442.76	\$444.35	34.0%	0%
97%	0%	1,913	\$335.33	\$451.04	\$452.62	34.5%	0%
97%	0%	1,938	\$340.22	\$459.31	\$460.90	35.0%	0%
98%	0%	1,963	\$345.12	\$467.58	\$469.17	35.5%	0%
98%	0%	1,988	\$350.01	\$475.86	\$477.45	36.0%	0%
98%	0%	2,013	\$354.90	\$484.13	\$485.72	36.4%	0%
98%	0%	2,038	\$359.79	\$492.41	\$493.99	36.9%	0%
98%	0%	2,063	\$364.68	\$500.68	\$502.27	37.3%	0%
98%	0%	2,088	\$369.58	\$508.96	\$510.54	37.7%	0%
98%	0%	2,113	\$374.47	\$517.23	\$518.82	38.1%	0%
98%	0%	2,138	\$379.36	\$525.51	\$527.09	38.5%	0%
99%	0%	2,163	\$384.25	\$533.78	\$535.37	38.9%	0%
99%	0%	2,188	\$389.14	\$542.05	\$543.64	39.3%	0%
99%	0%	2,213	\$394.04	\$550.33	\$551.92	39.7%	0%
99%	0%	2,238	\$398.93	\$558.60	\$560.19	40.0%	0%
99%	0%	2,263	\$403.82	\$566.88	\$568.46	40.4%	0%
99%	0%	2,288	\$408.71	\$575.15	\$576.74	40.7%	0%
99%	0%	2,313	\$413.60	\$583.43	\$585.01	41.1%	0%
99%	0%	2,338	\$418.50	\$591.70	\$593.29	41.4%	0%
99%	0%	2,363	\$423.39	\$599.97	\$601.56	41.7%	0%
99%	0%	2,388	\$428.28	\$608.25	\$609.84	42.0%	0%
99%	0%	2,413	\$433.17	\$616.52	\$618.11	42.3%	0%
99%	0%	2,438	\$438.06	\$624.80	\$626.38	42.6%	0%
99%	0%	2,463	\$442.96	\$633.07	\$634.66	42.9%	0%
99%	0%	2,488	\$447.85	\$641.35	\$642.93	43.2%	0%
99%	0%	2,513	\$452.74	\$649.62	\$651.21	43.5%	0%
99%	0%	2,538	\$457.63	\$657.90	\$659.48	43.8%	0%
99%	0%	2,563	\$462.52	\$666.17	\$667.76	44.0%	0%
99%	0%	2,588	\$467.42	\$674.44	\$676.03	44.3%	0%
99%	0%	2,613	\$472.31	\$682.72	\$684.31	44.5%	0%
99%	0%	2,638	\$477.20	\$690.99	\$692.58	44.8%	0%
99%	0%	2,663	\$482.09	\$699.27	\$700.85	45.0%	0%
99%	0%	2,688	\$486.98	\$707.54	\$709.13	45.3%	0%
100%	0%	2,713	\$491.88	\$715.82	\$717.40	45.5%	0%
100%	0%	2,738	\$496.77	\$724.09	\$725.68	45.8%	0%
100%	0%	2,763	\$501.66	\$732.36	\$733.95	46.0%	0%
100%	0%	2,788	\$506.55	\$740.64	\$742.23	46.2%	0%
100%	0%	2,825	\$513.89	\$753.05	\$754.64	46.5%	0%
100%	0%	2,875	\$523.67	\$769.60	\$771.19	47.0%	0%

100%	0%	2,925	\$533.46	\$786.13	\$787.73	47.4%	0%
100%	0%	2,975	\$543.24	\$802.70	\$804.28	47.8%	0%
100%	0%	3,025	\$553.03	\$819.25	\$820.83	48.1%	0%
100%	0%	3,075	\$562.81	\$835.79	\$837.38	48.5%	0%
100%	0%	3,125	\$572.59	\$852.34	\$853.93	48.9%	0%
100%	0%	3,175	\$582.38	\$868.89	\$870.48	49.2%	0%
100%	0%	3,225	\$592.16	\$885.44	\$887.03	49.5%	0%
100%	0%	3,275	\$601.95	\$901.99	\$903.58	49.8%	0%
100%	0%	3,325	\$611.73	\$918.54	\$920.12	50.2%	0%
100%	0%	3,375	\$621.51	\$935.09	\$936.67	50.5%	0%
100%	0%	3,425	\$631.30	\$951.63	\$953.22	50.7%	0%
100%	0%	3,475	\$641.08	\$968.18	\$969.77	51.0%	0%
100%	0%	3,525	\$650.87	\$984.73	\$986.32	51.3%	0%
100%	0%	3,575	\$660.65	\$1,001.28	\$1,002.87	51.6%	0%
100%	0%	3,625	\$670.43	\$1,017.83	\$1,019.42	51.8%	0%
100%	0%	3,675	\$680.22	\$1,034.38	\$1,035.97	52.1%	0%
100%	0%	3,725	\$690.00	\$1,050.93	\$1,052.51	52.3%	0%
100%	0%	3,775	\$699.79	\$1,067.48	\$1,069.06	52.5%	0%
100%	0%	3,825	\$709.57	\$1,084.02	\$1,085.61	52.8%	0%
100%	0%	3,875	\$719.35	\$1,100.57	\$1,102.16	53.0%	0%
100%	0%	3,925	\$729.14	\$1,117.12	\$1,118.71	53.2%	0%
100%	0%	4,000	\$743.81	\$1,141.95	\$1,143.53	53.5%	0%
100%	0%	4,100	\$763.38	\$1,175.04	\$1,176.63	53.9%	0%
100%	0%	4,200	\$782.95	\$1,208.14	\$1,209.73	54.3%	0%
100%	0%	4,300	\$802.52	\$1,241.24	\$1,242.82	54.7%	0%
100%	0%	4,400	\$822.09	\$1,274.33	\$1,275.92	55.0%	0%
100%	0%	4,500	\$841.65	\$1,307.43	\$1,309.02	55.3%	0%
100%	0%	4,600	\$861.22	\$1,340.53	\$1,342.12	55.7%	0%
100%	0%	4,700	\$880.79	\$1,373.63	\$1,375.21	56.0%	0%
100%	0%	4,800	\$900.36	\$1,406.72	\$1,408.31	56.2%	0%
100%	0%	4,900	\$919.93	\$1,439.82	\$1,441.41	56.5%	0%
100%	0%	5,000	\$939.49	\$1,472.92	\$1,474.51	56.8%	0%
100%	0%	5,100	\$959.06	\$1,506.02	\$1,507.60	57.0%	0%
100%	0%	5,200	\$978.63	\$1,539.11	\$1,540.70	57.3%	0%
100%	0%	5,300	\$998.20	\$1,572.21	\$1,573.80	57.5%	0%
100%	0%	5,400	\$1,017.77	\$1,605.31	\$1,606.90	57.7%	0%
100%	0%	5,500	\$1,037.33	\$1,638.41	\$1,639.99	57.9%	0%

Market Cost Adjustment Presentation

City Council Session
October 19, 2005



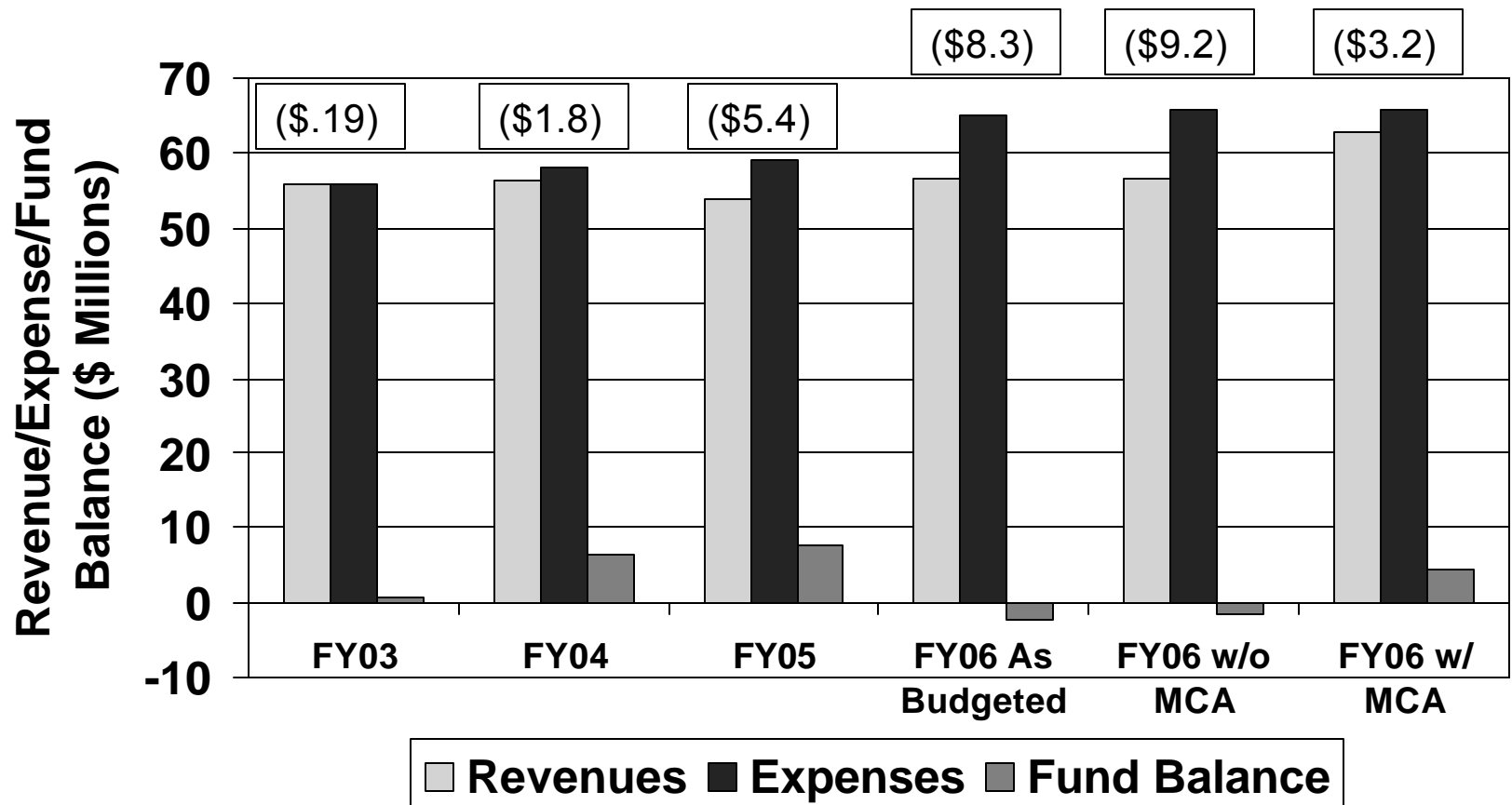


Overview

- Purpose
 - Describe need for a Market Cost Adjustment
 - Describe the methodology used to calculate the MCA for each rate class
 - Present the recommended MCA levels for each rate class
 - Address issues/concerns raised in one on one meetings yesterday
 - Describe alternatives available to council and resulting effects
- Second step of three step process
 1. Stabilize purchase power costs
 2. Correct the Revenue/Expense Imbalance (MCA)
 3. Implement long term rate structure and financial plan

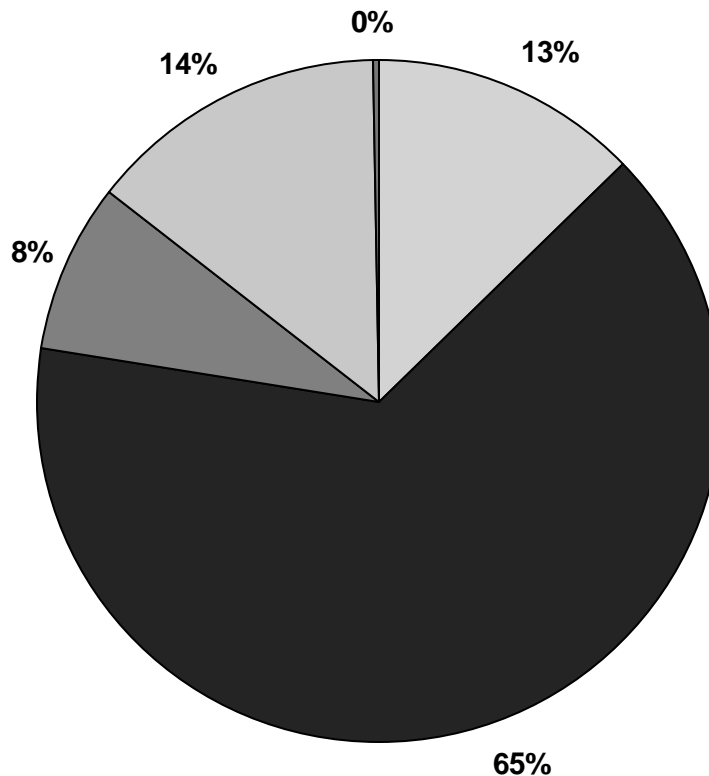


Cash Flow Analysis of Financial Structure





Financial Structure - Expenses

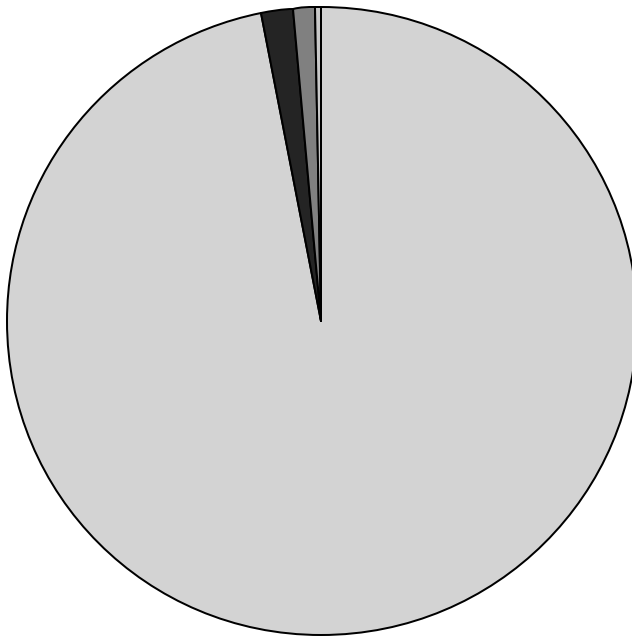


■ O&M ■ Bulk Power ■ Debt ■ Transfers ■ CIP's

O&M	\$ 8.4 Million
Bulk Power	\$ 42.7 Million
Debt	\$ 5.2 Million
CIP's	\$.1 Million
Transfers	<u>\$ 9.5 Million</u>
Total	\$ 65.9 Million



Financial Structure – Revenues



Power Sales	\$ 55.1 Million
Investments	\$.95 Million
Services	\$.59 Million
Other	<u>\$.14 Million</u>
Total	\$ 56.7 Million

■ Power Sales ■ Investments ■ Services ■ Other



Causes of Revenue Imbalances

- Rapidly increasing costs of power supply in FY06
- No rate adjustments since 2002 to address generally increasing revenue and expense imbalances
- Discounted rates for largest users

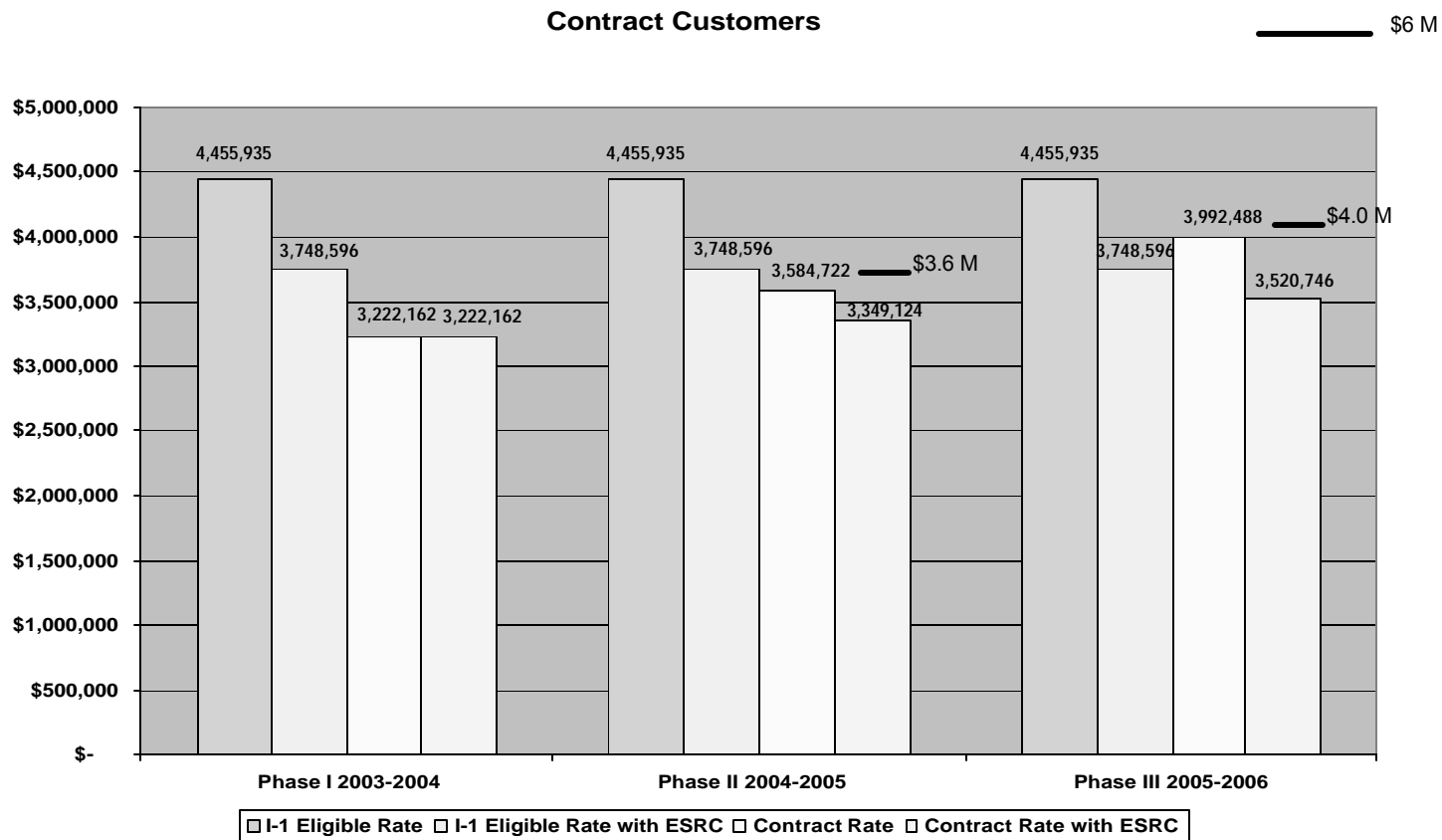


Change in Power Supply Costs Over Time

	FY03	FY04	FY05	FY06 As Budgeted	FY06 As Forecast
Power Supply Cost (\$M)	\$30.8	\$32.3	\$33.1	\$39.8	\$42.7
% Change from prior year	n/a	4.9%	2.5%	20.2%	29.0%
% change from last MCA	n/a	4.9%	7.5%	29.2%	38.6%



Discounted Rate Issue





Market Cost Adjustment

- We Need to Raise the Rates
 - Significant Increase in Power Supply Costs
 - Financial need established
 - Could have raised rates in systematic fashion over last several years – lowering need for this large increase
- Approved Mechanism for Implementation in Place
 - Adopted by Ordinance 2001
 - Requires Council approval to implement changes
- Delay of implementation increases size of rate increase needed
 - Deficit approximately \$800K per month
 - Delay would increase burden on all customers
 - Each month delay requires 1.2% larger increase



How was MCA determined?

- Abbreviated Cost of Service Analysis Performed
 - Costs were assigned to each rate class based on actual costs from FY05 and scaled to FY06
 - Total expenses from each rate class were compared to revenue generated through rates for each rate class
 - revenues and expenses for each class were further subdivided into power supply and non power supply components
 - Differences between power supply revenues and expenses then represented the pool of dollars to be collected through the MCA
 - MCA rates were then developed to collect the necessary pool of dollars based on total consumption within each rate class
 - Limit on MCA to keep total rate less than or equal to PG&E



MCA Results - Residential

	Power COSA	Power Revenue	Implied MCA	MCA Short	Avg MCA
EA	\$.1036	\$.0585	\$.0451	\$.0728	\$.0433
EE	\$.1036	\$.0484	\$.0552	\$.0891	\$.0461
ED	\$.1042	\$.0506	\$.0536	\$.0864	\$.0085
EM	\$.0933	\$.0493	\$.0440	\$.0710	\$.0698
D to D	\$.0894	\$.0000	\$.0894	\$.1442	\$.0100



MCA Results - Commercial

	Power COSA	Power Cost	Implied MCA	MCA Short	Avg MCA
G1	\$.1034	\$.0632	\$.0402	\$.0649	\$.0409
G2	\$.0968	\$.0514	\$.0454	\$.0732	\$.0483
G3	\$.0848	\$.0571	\$.0276	\$.0446	\$.0446
G4	\$.0836	\$.0525	\$.0310	\$.0500	\$.0336
G5	\$.0776	\$.0545	\$.0231	\$.0373	\$.0280



MCA Results - Industrial

	Power COSA	Power Cost	Loss on Sale	MCA Short	Avg MCA
I1	\$.0819	\$.0414	\$.0406	\$.0654	\$.0499
K large	\$.0801	\$.0414	\$.0387	\$.0624	\$.0624
K Med	\$.0776	\$.0581	\$.0195	\$.0315	\$.0315



MCA Levels

	Current MCA	Proposed MCA	Proposed MCA EA Winter	Proposed MCA EA Summer	Proposed MCA EE winter	Proposed MCA EE Summer
Class						
EA, EE Tier 1	1.75		1.73	2.06	2.13	2.13
EA, EE Tier 2	3.25		1.00	0.00	3.78	0.00
EA, EE Tier 3	4.90		8.65	8.47	0.00	8.65
EA, EE Tier 4	5.75		16.51	16.35	8.85	16.68
EA, EE Tier 5	0.00		19.09	19.28	16.35	19.28
ED, EF	0.00					
EM	0.00	6.9800				
EL	0.00	1.0000				
ES	0.00	0.9400				
G1	3.00	4.0900				
G2	3.00	4.8300				
G3	1.90	4.4600				
G4	1.90	3.3600				
G5	1.30	2.8000				
I1<4,000 kw	0.00	6.2400				
I1>4,000 kw	0.00	4.9900				



Average Rates After Market Cost Adjustment Applied

	Residential Average	Commercial Average	Industrial Average	System Average
Lodi Current	\$.1409	\$.1300	\$.0676	\$.1185
PG&E Current	\$.1326	\$.1422	\$.1095	\$.1343
Lodi Proposed	\$.1556	\$.1482	\$.1112	\$.1417
PG&E Proposed	\$.1556	\$.1482	\$.1112	\$.1417



Comments From One on Ones

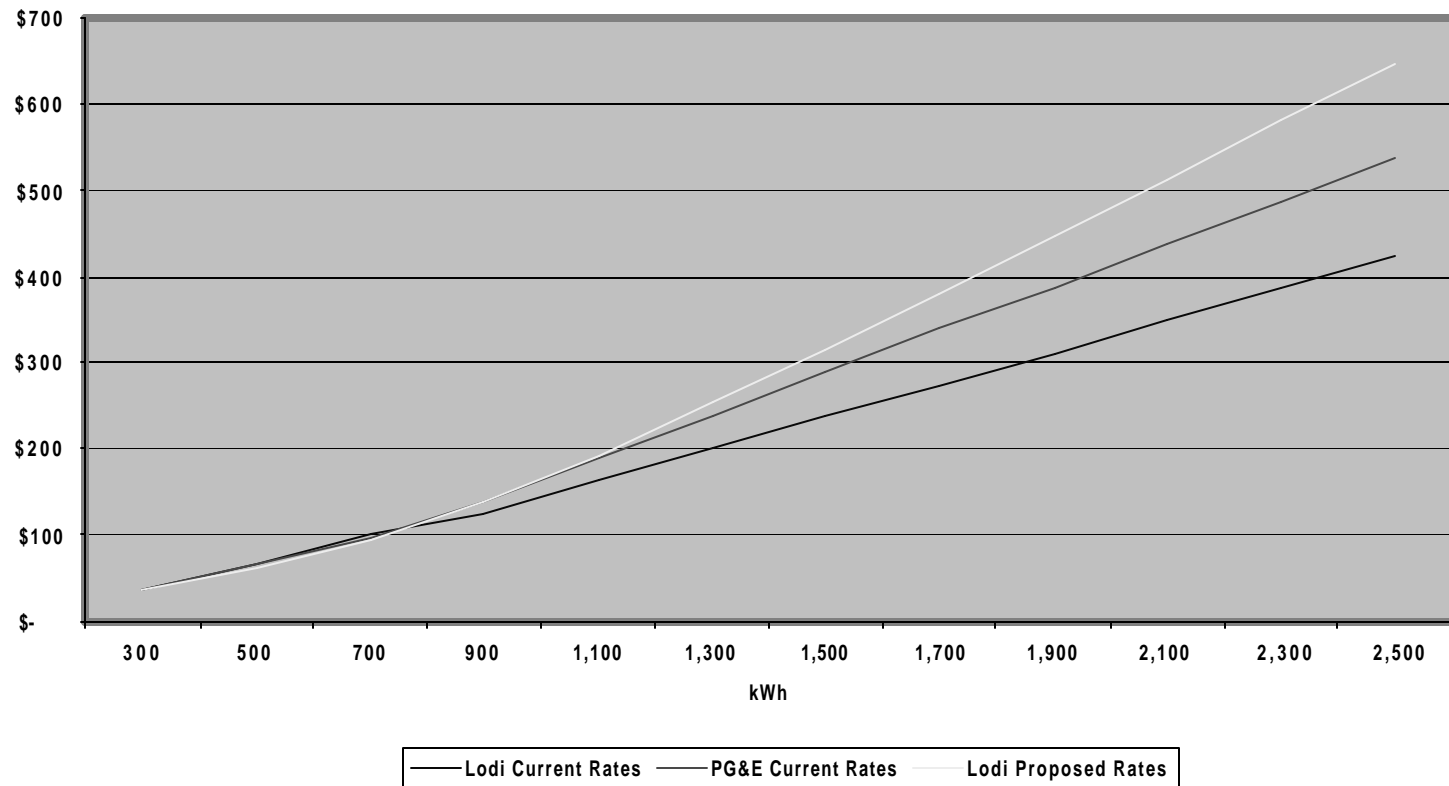
- Increases are too large
- Notice is inadequate
- Increases are not proportional to consumption
- Rates have been increasing each year
- General Cost of Doing Business in California is Problematic



Example Effect of Transferring a Portion of Industrial Increase

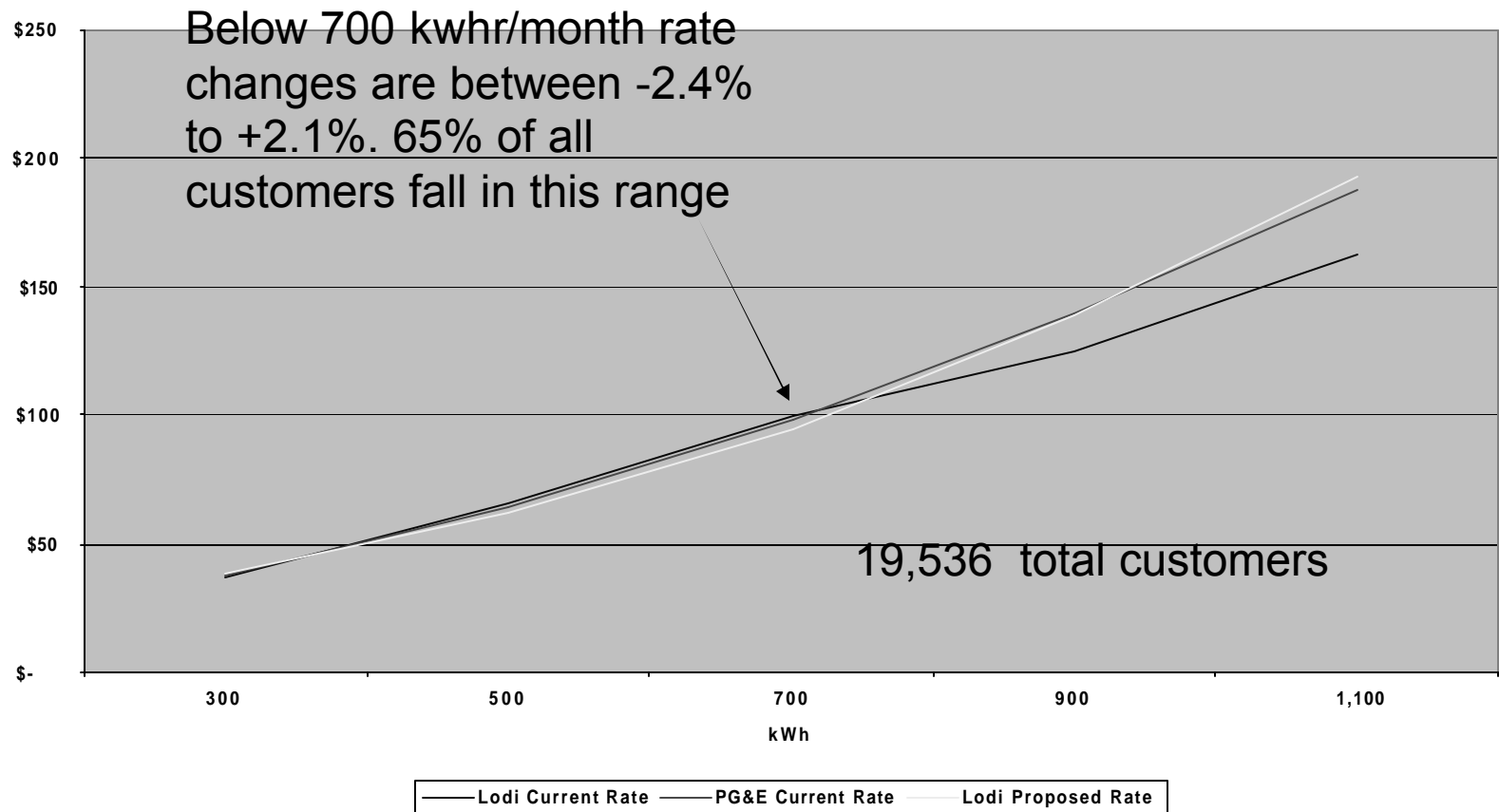
- Assume a shift of half of required revenue from Large Contract and General Mills (\$2.2 Million)
- Assume for simplicity Residential (EA) absorbs entire increase
- Residential (EA) goes from 9.4% average increase to 20.7% average increase
- Average 1.7 cents above PG&E
- Average rate of 17.7 cents per kwhr

Residential Rates – EA Class Current vs Proposed Summer



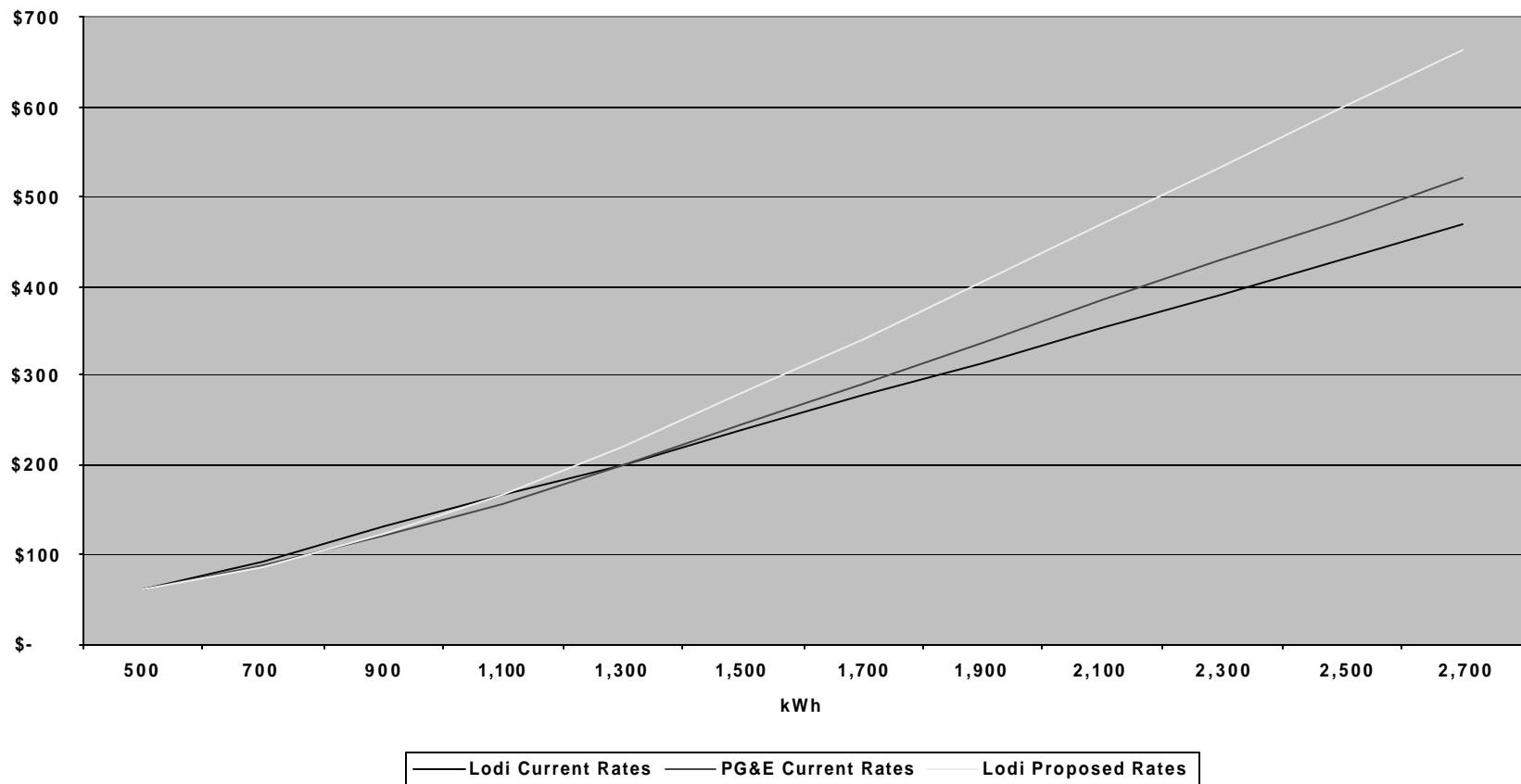


Residential Expanded (EA)



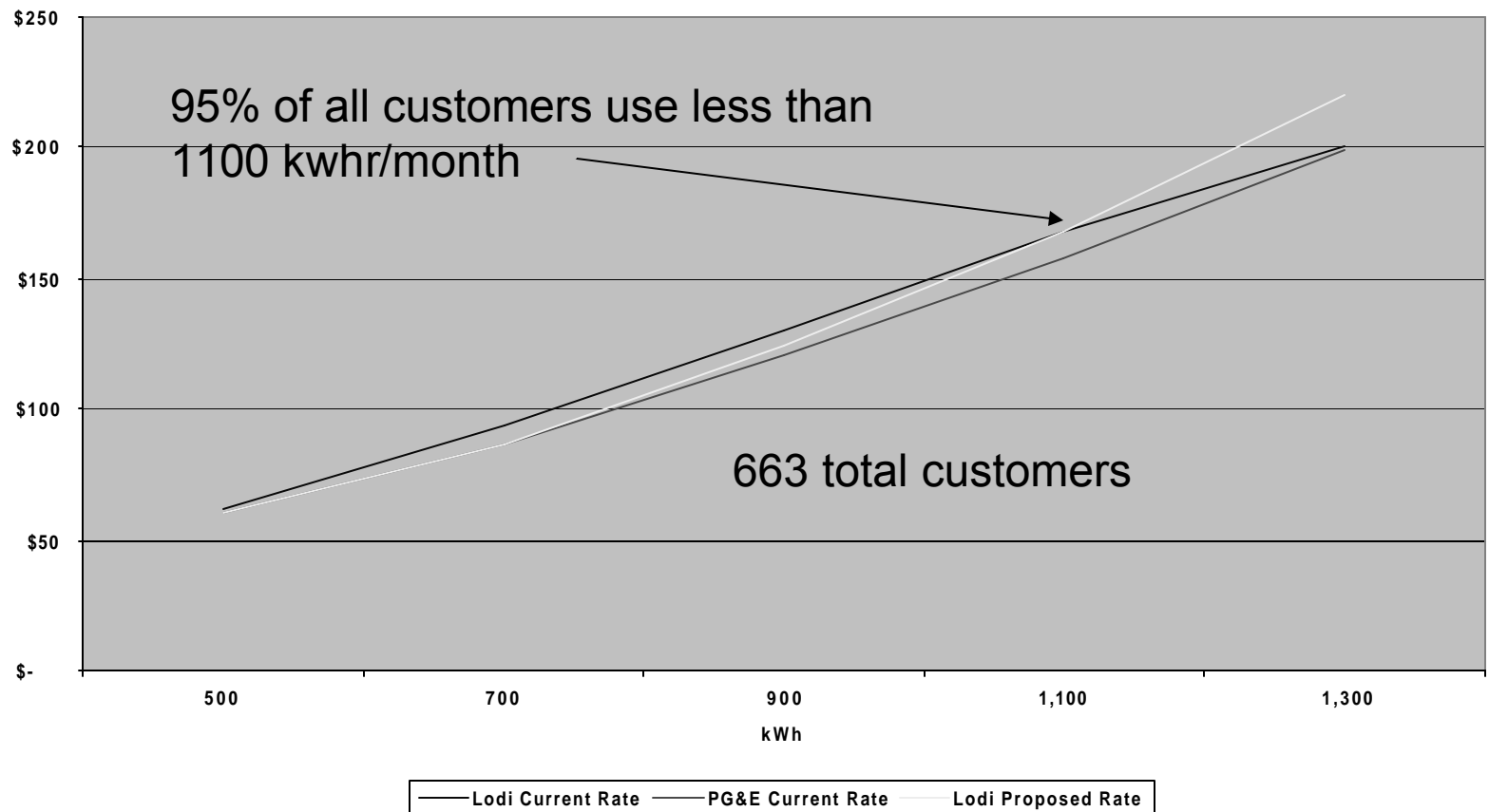


Residential Rates – EE Class Current vs Proposed Summer



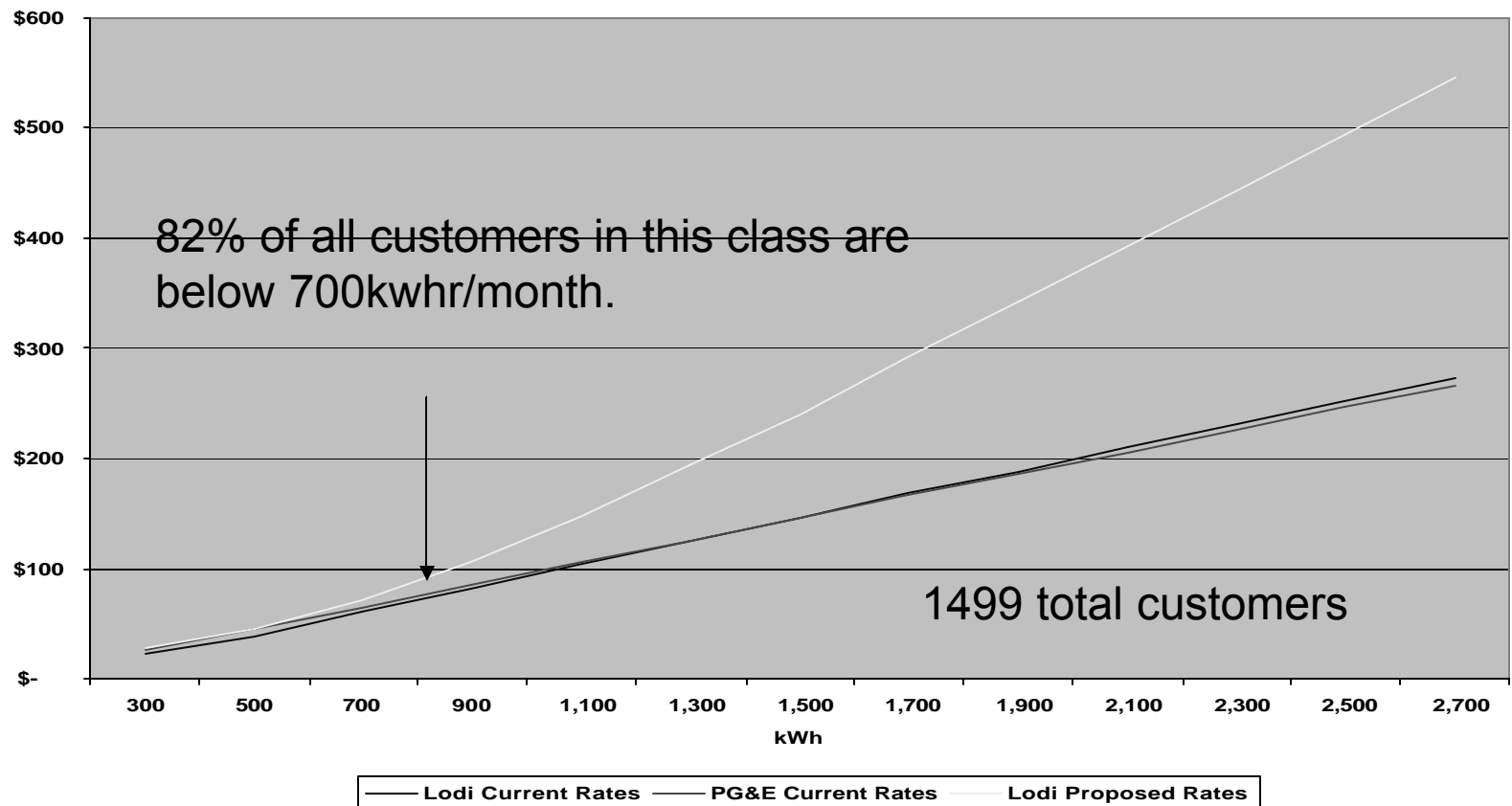


Residential Expanded (EE)



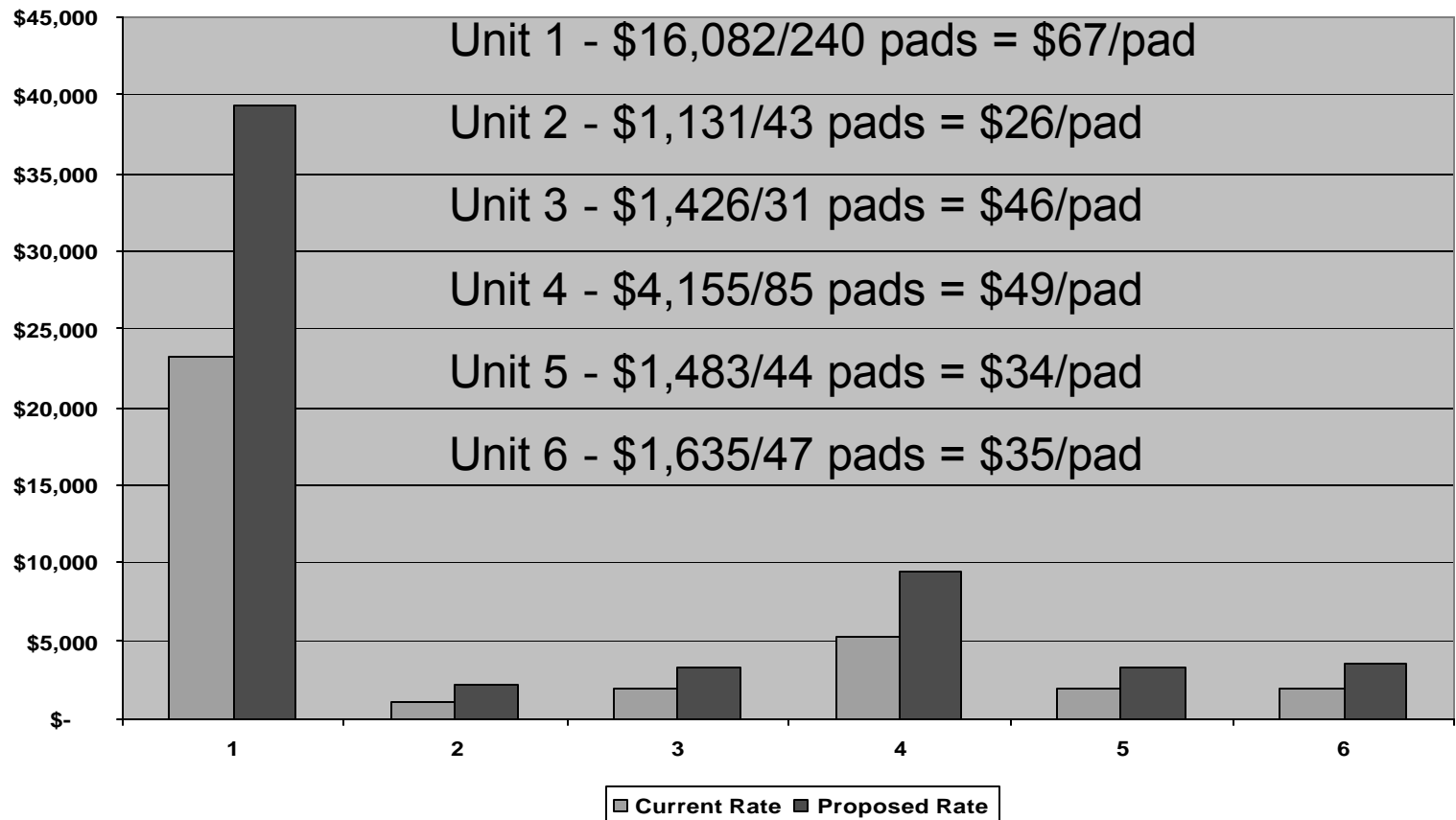


Residential Rate - ED Class Current vs Proposed Summer



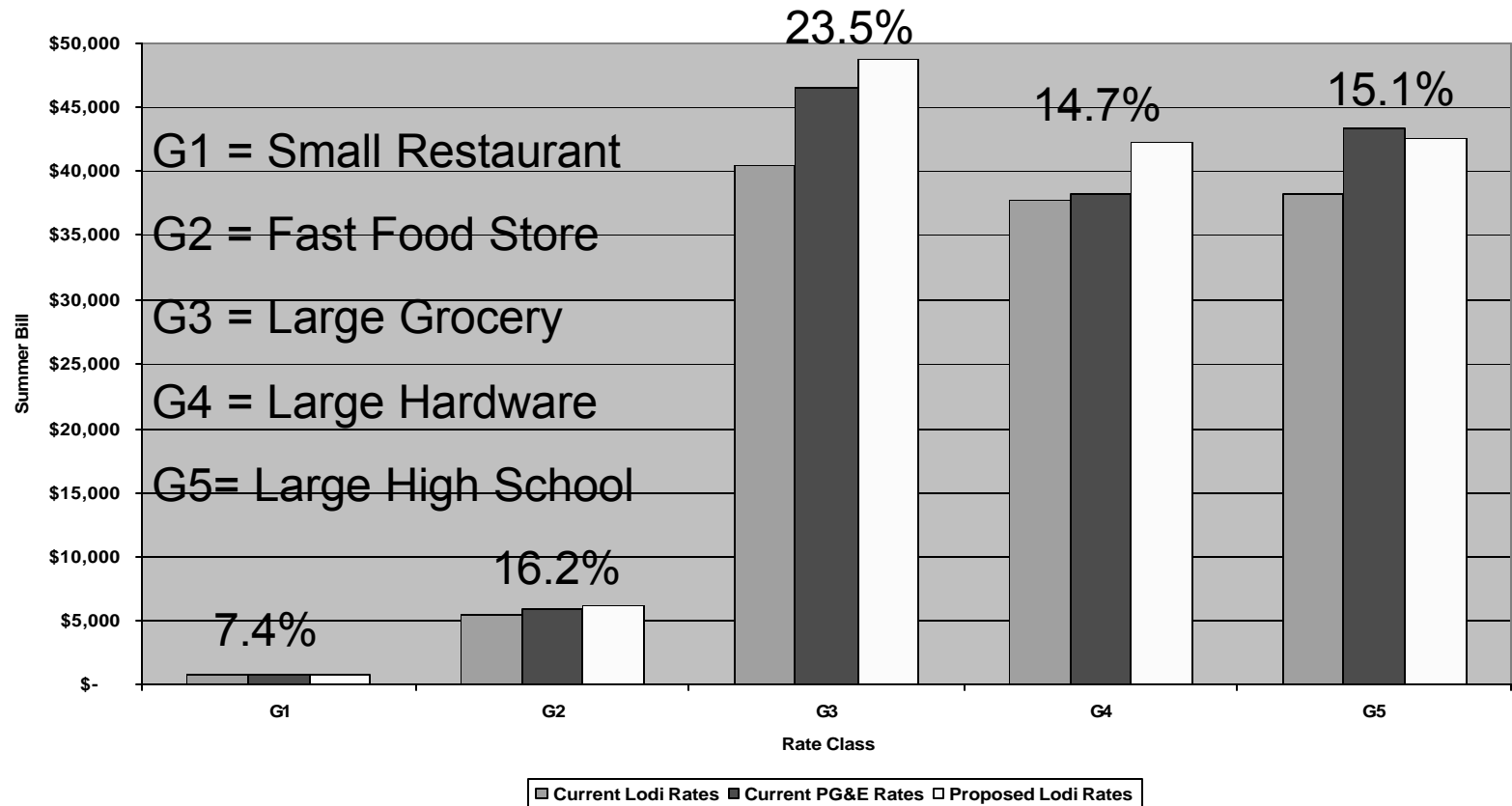


Residential – Mobile Homes





Commercial Industrial Rates Current vs Proposed





Long Term - Expenses

- More detailed analysis of expenses needed
 - Power supply
 - NCPA cost allocations being revised
 - Large open positions in next fiscal year
 - Resource development costs
 - Repairs to Geo facilities
 - Debt
 - Evaluate interest rate exposure on swaps



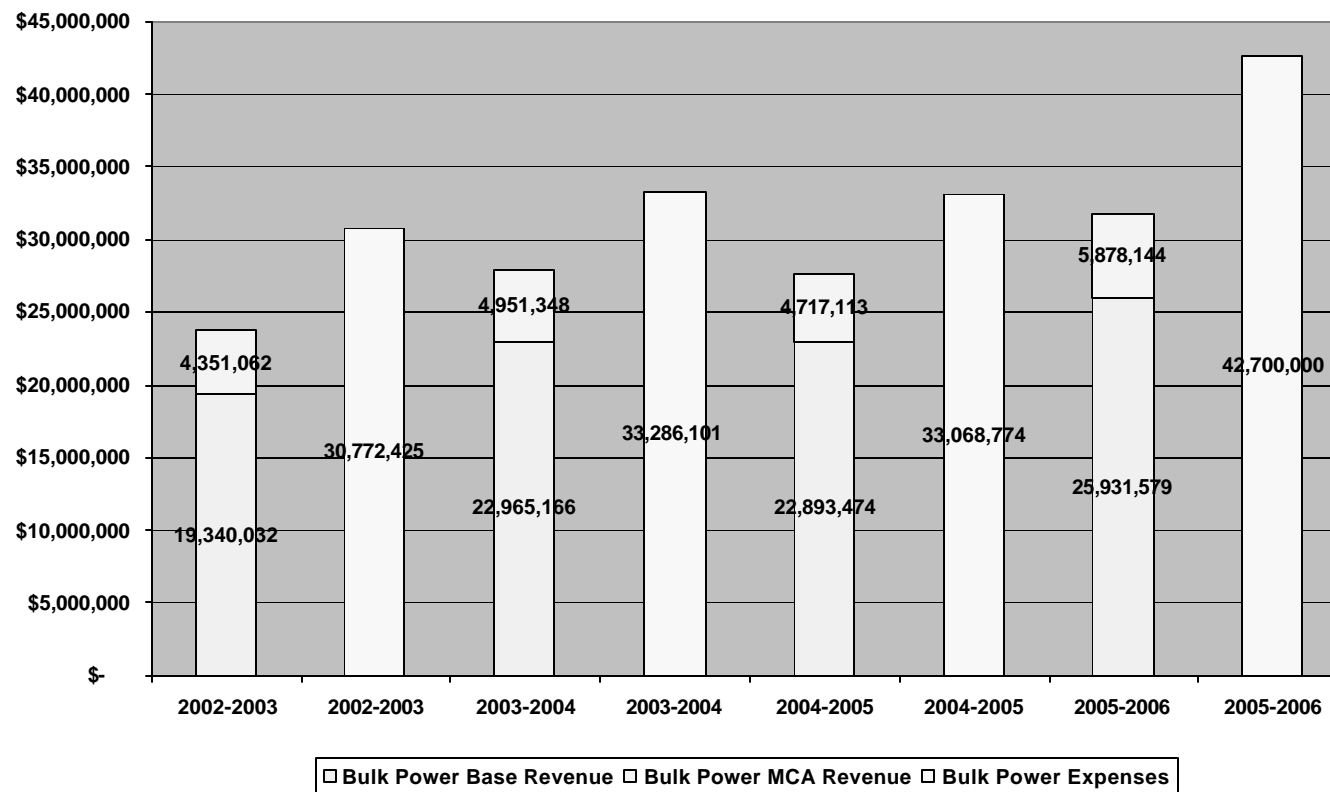
Long Term – Expenses (continued)

- Electric O&M expenses
 - Staffing – vacancies/retirements
 - Benchmarking against standard industry metrics
- Capital Improvement Program
 - Identify essential needs and funding sources
 - Identify shortfalls from debt financing (if any)
 - Address Service Center timing, location and integration with other city services



Long Term - Revenues

Bulk Power Revenues vs. Bulk Power Expenses





Assistance Available: Residential Programs

- Lodi Energy Audit Program- provides free in-home energy audits with conservation tips; (up to 20% reductions achieved)
- Lodi Energy Efficient Home Improvement Rebate Program- \$125,000 budgeted for the current fiscal year; provides rebates for a variety of energy conservation measures for the home;
- Lodi Appliance Rebate Program- \$75,000 budgeted for the current fiscal year; provides various rebate levels for four (4) different home appliances; (5% savings)



Residential Programs (cont.):

- Lodi Solar Rooftops Pilot Project- \$50,000 budgeted for the ensuing months; provides rebates for the installation of up to a 2 kW photovoltaic system;
- HVAC System Performance Test- \$75,000 budgeted for the current fiscal year; rebates for repairing/replacing air duct systems in homes;
- Lodi C.A.R.E. Package- \$90,000 budgeted for the current fiscal year; provides grants of up to \$150 for families BELOW the current, federal income guidelines; the grants are utilized to assist these customers in paying their monthly City of Lodi utility bill;



Residential Programs (cont.):

- Lodi Helping Hands Project- budgeted \$25,000 for current fiscal year; this is a residential weatherization program for low-income families; (have seen up to 10% savings)
- Recycling programs- budgeted \$75,000 for the current fiscal year; the programs provide recycling services on electronic waste and refrigerators/freezers several times during the course of the year.
- Lodi SHARE Discount- a rate discount of 20 percent is available to eligible residential customers.



Commercial/Industrial Programs:

- Lodi Small Energy Services Partnership- \$50,000 budgeted for the current fiscal year; provides rebates of up to \$750 to small business owners/managers for the installation of various energy conservation measures;
- Energy Services Partnership- provide up to twelve (12) rebates to large commercial and industrial customers per fiscal year for designated and approved energy conservation measures;
- Business Energy Audit Program- provide free energy audits to small- and medium-sized commercial businesses.



Concluding Remarks

- MCA provides a mechanism to adjust quickly
 - It can be raised or lowered after detailed study
 - Reduces further losses in income
 - Reduces need for larger increases through delay
 - Provides positive signal to financial rating agencies of city commitment to meet financial obligations

Questions

